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**Legislative Assembly
of Ontario**

First Session, 38th Parliament

**Assemblée législative
de l'Ontario**

Première session, 38^e législature

**Official Report
of Debates
(Hansard)**

Monday 21 June 2004

**Journal
des débats
(Hansard)**

Lundi 21 juin 2004

**Standing committee on
social policy**

Organization

**Comité permanent sur
la politique sociale**

Organisation

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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
SOCIAL POLICYCOMITÉ PERMANENT SUR
LA POLITIQUE SOCIALE

Monday 21 June 2004

Lundi 21 juin 2004

The committee met at 1603 in committee room 1.

ELECTION OF CHAIR

Clerk of the Committee (Ms Anne Stokes): Good afternoon, everybody. Welcome to the first meeting of the standing committee on social policy. My name is Anne Stokes. I'm the clerk of the committee, and it is my duty, honourable members, to oversee the election of a Chair of the committee. Are there any nominations?

Mr Ted McMeekin (Ancaster-Dundas-Flamborough-Aldershot): I'll nominate my illustrious colleague Jeff Leal.

Clerk of the Committee: Are there any other nominations?

Mr Ted Arnott (Waterloo-Wellington): I wish to second that nomination.

Clerk of the Committee: Any further nominations? There being no further nominations, I declare Mr Leal the Chair of the committee. Congratulations, and if you'd like to come forward.

ELECTION OF VICE-CHAIR

The Chair (Mr Jeff Leal): Thank you very much, colleagues. The next item of business we have is the election of a Vice-Chair. Are there any nominations?

Mr McMeekin: Congratulations on your hard-fought victory. That was great.

The Chair: It reminds me of my municipal days, Mr McMeekin.

Mr McMeekin: I'd be pleased to nominate Khalil Ramal for Vice-Chair.

The Chair: Mr Ramal has been nominated. Any further nominations? Mr Ramal, you've been nominated, and congratulations, as the Vice-Chair. Good job.

APPOINTMENT OF SUBCOMMITTEE

The Chair: We're now going to appoint the subcommittee.

Ms Kathleen O. Wynne (Don Valley West): I'd like to move that a subcommittee on committee business be appointed to meet from time to time at the call of the Chair, or on the request of any member thereof, to consider and report to the committee on the business of the committee;

That the subcommittee be composed of the following members: the Chair as Chair, Mr McMeekin, Mr Chudleigh, and Mr Marchese; and

That the presence of all members of the subcommittee is necessary to constitute a meeting.

Mr Rosario Marchese (Trinity-Spadina): I'll volunteer for myself.

Mr Arnott: I'll volunteer for Mr Chudleigh.

The Chair: Thank you very much, Mr Arnott. Democracy works in a wonderful fashion when people aren't present. That's terrific.

The appropriate people have now been nominated for the subcommittee. All in favour? Carried.

Madam Clerk, any other business today?

Clerk of the Committee: Not that I'm aware of.

Ms Wynne: Could I just ask whether we know what upcoming business or legislation the committee will be considering?

The Chair: There are at least three bills that I think are coming forward. I'm sorry, I don't have the numbers, but I know for a fact there are three bills coming forward. I'll ask my clerk to help us out here.

Clerk of the Committee: All I'm aware of right now are three private members' bills that have been referred. They had previously been referred to the standing committee on justice and social policy and went in the order to create this committee. Three of them were referred here.

The Chair: Madam Clerk, maybe you could just name those three bills.

Clerk of the Committee: Bill 55, by Mr Gravelle, An Act to amend the Health Insurance Act; Bill 57, by Mrs Witmer, An Act to amend the Health Insurance Act to make various immunizations insured services; and Bill 71, An Act to proclaim Olympic Day, by Mr Fonseca.

Ms Wynne: Is there still the possibility that there will be other business referred, and will we be meeting in August, then, to work on this business?

The Chair: Ms Wynne, I can't comment right now. I suspect that this committee, as other committees, will have a full workload as other bills are instituted, both private members' bills and government bills, and regulations. I can assure you there will be lots of work to do.

Ms Wynne: I'm just trying to get a sense of—

The Chair: Absolutely.

Ms Wynne: Thank you.

Mr Arnott: In all likelihood, the House leaders will be meeting to decide whether or not this committee will sit over the summer months, and hopefully we'll be able to deal with our important business.

The Chair: Anything further

Mr John Wilkinson (Perth-Middlesex): I move adjournment.

The Chair: Carried.

The committee adjourned at 1606.

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Vice-Chair / Vice-Président

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Mr Ted Arnott (Waterloo-Wellington PC)

Mr Ted Chudleigh (Halton PC)

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Ms Anne Stokes

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STANDING COMMITTEE ON
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LA POLITIQUE SOCIALE

Monday 9 August 2004

Lundi 9 août 2004

The committee met at 1003 in room 151.

The Vice-Chair (Mr Khalil Ramal): Good morning, everyone. Welcome to the standing committee on social policy and the public hearings for Bill 100, An Act to amend the Electricity Act, 1998 and the Ontario Energy Board Act, 1998 and to make consequential amendments to other Acts.

SUBCOMMITTEE REPORT

The Vice-Chair: Our first order of business is the report of the subcommittee on committee business dated Thursday, July 22, 2004. First, I think my colleague the MPP from the Ancaster area is going to read the subcommittee report and hopefully move it for adoption.

Mr Ted McMeekin (Ancaster-Dundas-Flamborough-Aldershot): Your subcommittee met on Thursday, July 22, 2004, to consider the method of proceeding on Bill 100, the Electricity Restructuring Act, 2004, and recommends the following:

(1) That the committee meet for the purpose of public hearings on Bill 100 on August 9, 12, 23, 24, 25 and 26, 2004, from 10 am to 5 pm. (Times are subject to change and based on witness response and travel logistics.)

(2) That the committee meet in Toronto on August 9 and 12, 2004, and that the committee travel to Clarington, Windsor, Sudbury and Ottawa the week of August 23, 2004. Times and locations are subject to change and based on witness response and travel logistics.

(3) That an advertisement be placed for one day in all the English dailies and the one French daily, and also be placed on the ONT PARL channel and the Legislative Assembly Web site.

(4) That the deadline for those who wish to make an oral presentation on Bill 100 be 5 pm on August 5, 2004. That the deadline for written submissions on Bill 100 be 5 pm on August 26, 2004.

(5) That the Minister of Energy—I'm pleased to see he's here with his entourage—be invited to make a one-hour presentation before the committee on the morning of August 9, 2004, followed by a one- to two-hour technical briefing by the ministry staff.

(6) That opposition critics be allocated 15 minutes each to respond to the minister's and ministry staff's briefing on August 9, 2004.

(7) That the clerk be authorized to schedule groups and individuals in consultation with the Chair and that, if

there are more witnesses wishing to appear than time available, the clerk will provide the subcommittee members with the list of witnesses, and each caucus will then provide the clerk with a prioritized list of witnesses to be scheduled.

(8) That expert witnesses be allotted 30 minutes in which to make their presentations (if possible on the afternoon of August 9, 2004). That the Chair, in consultation with the research officer and clerk, will determine the expert witnesses.

(9) That organizations and individuals be allotted 15 minutes in which to make their presentations.

(10) That the research officer provide the committee with a summary of witness presentations prior to clause-by-clause consideration of the bill, and that the research officer prepare a summary of recent developments in electricity legislation announcements over the last five years. As members know, that's been done.

(11) That amendments to Bill 100 should be received by the clerk of the committee by 3 pm on Friday, September 10, 2004.

(12) That the committee meet for the purpose of clause-by-clause consideration of Bill 100 on September 15 and 16, 2004, in Toronto.

(13) Finally, that the clerk of the committee, in consultation with the Chair, be authorized, prior to the passage of the report of the subcommittee, to commence making any preliminary arrangements necessary to facilitate the committee's proceedings.

I will move the report of the subcommittee.

The Vice-Chair: Is there any discussion?

Mr John O'Toole (Durham): Just one comment. In item (4), he mentioned the date, when he was reading it, as August 4.

The Vice-Chair: Oh, August 24. Are you talking about a cancellation? Which one?

Mr O'Toole: The deadline to make oral presentations on the bill be 5 pm on August 5, it says in our notes. Didn't he say the 4th?

Mr McMeekin: It reads the 5th here.

The Vice-Chair: It says the 5th here.

Mr McMeekin: I must have read it wrong.

The Vice-Chair: Are there any other questions? All in favour? The motion is carried.

Before we listen to the Honourable Dwight Duncan's briefing and all the technical support from the ministry, I'd like to mention that on August 24 there is some kind

of technical problem for the meeting in Sudbury. Because of a lack of responses to attend the meeting and do briefings and also because of logistic problems, we cancelled that meeting on the 24th, so we'll move to Toronto. If there are any questions, please ask. Also, every member of the committee will receive a letter concerning that matter.

ELECTRICITY RESTRUCTURING ACT, 2004

LOI DE 2004 SUR LA RESTRUCTURATION DU SECTEUR DE L'ÉLECTRICITÉ

Consideration of Bill 100, An Act to amend the Electricity Act, 1998 and the Ontario Energy Board Act, 1998 and to make consequential amendments to other Acts / Projet de loi 100, Loi modifiant la Loi de 1998 sur l'électricité, la Loi de 1998 sur la Commission de l'énergie de l'Ontario et apportant des modifications corrélatives à d'autres lois.

MINISTRY OF ENERGY

The Vice-Chair: I would like to welcome the minister for his briefing.

Hon Dwight Duncan (Minister of Energy, Government House Leader): Thank you, Mr Chair, and good morning, everyone. It's a pleasure to be here today to discuss a piece of legislation which, if passed, will chart a new and positive direction in the history of Ontario's electricity sector.

I'm very pleased that this bill, the Electricity Restructuring Act, will be undergoing public hearings and that it will be travelling to several communities across the province.

There's no doubt that this legislation and its technical regulations are very complex. Very simply, we want to ensure that we get it right the first time.

Hearing from the public and from stakeholders on important legislation such as this is a crucial part of government business. It's important that we hear the points of view of Ontarians with respect to how best to meet the challenges we face.

I will be speaking to you for roughly half an hour and then I'll be prepared to take questions from the committee. I'd also like to introduce Rick Jennings, director of energy supply and competition, and Rosalyn Lawrence, director of consumer and regulatory affairs, who will also be here to help answer your questions.

1010

Bill 100, the Electricity Restructuring Act, proposes a plan for the electricity sector that will encourage the development of new, reliable supply, promote a culture of conservation, lessen the environmental footprint of our undertakings, produce stable prices for small consumers, afford large consumers the benefits of a competitive market and enhance Ontario's competitiveness in electricity pricing. This legislation is not bound in ideology

but rather by what works. Pure and simple, this legislation establishes the foundation for Ontario's energy future.

For more than 10 years, our citizens have witnessed our electricity system decline from being the envy of the world to a point where, if we don't act quickly and prudently, we will find ourselves in very serious trouble.

There's no doubt that we're facing a daunting challenge in Ontario. The numbers speak for themselves. Ontario now has about 30,500 megawatts of generation capacity. Between now and 2020, factoring in the growth of our economy, approximately 25,000 megawatts of electricity capacity is due for retirement or refurbishment. To put that in context, that's roughly 80% of our current generating capacity.

We estimate that in order to meet the looming supply-demand gap, an investment of \$25 billion to \$40 billion will be required to keep the lights on over the next 15 years. This will be one of the largest peacetime investments in Canadian history. It sounds like a lot of money, but this we know for certain: If Ontario's system were to continue on the course it has followed, it would cease to serve us, cease to power our economy and cease to support our province's continued prosperity. There is no more time to waste. It's clear we must act quickly, responsibly and prudently before the challenge in front of us becomes even greater.

For more than a generation, our electricity sector has been buffeted between extremes and fraught with reversals, indecision and malaise. No one is without blame. Successive governments too often wavered when presented with an opportunity to institute real change in Ontario's electricity sector. This has produced a system straining under the weight of years of neglect and second-guessing. But now we are presented with a real opportunity to put our electricity sector back on solid ground, and to do it, we must learn from the lessons of the past and move forward with confidence. No more extremes, no more reversals, no more indecision, no more malaise.

Before I go on to discuss the direction we've chosen with Bill 100, let me tell you what we've rejected. We looked at the old public monopoly model, but that put us \$38 billion in debt. Some wanted to move back to that model, but I reject that. I want to move forward, and this legislation, if passed, will allow us to do so.

We also looked at moving to a fully competitive market, but we couldn't find one that worked anywhere. We studied other jurisdictions. We benchmarked best practices. Do you know what we found? We found that there's no silver bullet. There's no magical solution. Every jurisdiction we looked at had different rules, different regulations and a different mix of public and private.

So we've chosen what we think is the best approach for Ontario: an approach that addresses the critical need for new supply, increased conservation, consumers' desire for price stability, the importance of public leadership and the need for private investment; an approach

that includes a strong public leadership role, clear accountabilities and a coordinated planning approach to address the growing gap between electricity supply and demand in order to keep the lights on now and far into the future; an approach that would reorganize the institutional structure in a way that will best suit the people of Ontario over the long term; an approach that will begin to make up for over a decade lost in Ontario's electricity sector.

We have acted decisively already. One of the first things we did as a government was to address the unrealistic cap on electricity prices that was threatening our fiscal integrity and sending the wrong signal to electricity consumers and investors. The previous government's 4.3 cent per kilowatt hour price cap was lifted in favour of an interim pricing structure that more accurately reflects the true cost of electricity. At the same time, we signalled that prices should be set by markets, not by politicians, with the true cost of electricity passed on to consumers through an independent regulator. We also sent a strong message that it's time for Ontarians to be smarter about their electricity use and gave them a strong motivation to conserve.

The cost of the artificial price cap to Ontario taxpayers reached almost \$1 billion net, not to mention the fact that it scared away much-needed investment in Ontario to build new generation. I would argue that as part of a sustainable energy policy, Ontarians and indeed all electricity consumers must pay the true cost of electricity.

These early actions sent a clear signal that our government intends to deal with electricity issues in a practical, sensible and indeed a transparent way. We're confident that the message is coming across loud and clear.

To set some further context for this legislation, I'd like to highlight some other actions our government has taken to set a new direction in Ontario's electricity sector. We've demonstrated that we're serious about conservation. We will cut overall demand by 5% and the government will cut its own consumption by 10% so that we can help Ontario become a leader in conservation.

We've encouraged local electricity distributors to implement community-based conservation programs by removing the current financial penalties they face when they help customers conserve energy. We recently announced that they may begin to invest approximately \$225 million in new conservation initiatives, one of the largest such investments in this province's history.

We've announced an ambitious plan to install a smart electricity meter in 800,000 Ontario homes and small businesses by 2007 and in each and every Ontario home and small business by 2010. The Ontario Energy Board is currently looking at ways to implement a pricing mechanism that will allow consumers to take advantage of time-of-use rates so that they would have the opportunity and incentive to shift consumption from periods of high demand and price to periods of lower demand and lower prices.

We remain committed to replacing coal-fired electricity generation in this province. In so doing, we will

never put Ontario consumers in jeopardy and will be totally satisfied that adequate alternatives are in place before we shut down the coal plants.

We applied freedom of information and public sector salary disclosure to Ontario Power Generation and Hydro One. We shone the light of transparency because we believe ratepayers have a right to know how their money is being spent. We announced that we are seeking proposals for 300 megawatts of renewable generation which will help us meet our target of 1,350 megawatts of renewables by 2007. This is just a first step in what will be an extremely important part of our energy future. We have seen extensive interest in the RFP: 90 proponents have expressed an interest in participating and have identified approximately 4,400 megawatts of potential renewable energy capacity. As a result of this interest, it's clear that we will meet or exceed our targets with respect to renewable energy. The RFP will be just the first of many future opportunities to bring new renewable generation into Ontario's supply mix.

We also announced a request for proposals for 2,500 megawatts of new electricity capacity through either generation or demand-side management initiatives. We're the first government ever in Ontario's history to put demand management—that is, conservation—on an equal footing with generation. We will see as enthusiastic a response to this RFP as to the renewable RFP. The ministry had a technical consultation session on July 6. It was attended by over 500 participants from around the world. We were truly overwhelmed by the response.

We've announced the Niagara tunnel project, which will increase the amount of water flowing to existing turbines at the Sir Adam Beck generating station. This project will produce an additional 1.6 terawatt hours of clean, renewable electricity per year, enough power to meet the annual needs of 160,000 homes, or a city twice the size of Niagara Falls.

And we've accepted a recommendation from Ontario Power Generation to restart a unit at the Pickering A generating station. This project will generate 515 megawatts of electricity and will deliver enough affordable electricity to power 350,000 Ontario homes, or a city the size of London. In doing so, we have directed OPG to report regularly to the public on the progress of this project and have put in place an independent auditor to help ensure the project stays on track.

These are just some of the first steps we've taken to move quickly and prudently to stabilize Ontario's electricity sector.

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I would now like to outline for you the reforms we are proposing through the Electricity Restructuring Act.

As with the electricity grid itself, which precisely balances supply and demand, reforms to the sector must be a matter of finding the right balance between our goals. Therefore, the legislation we have introduced reflects a balanced approach. It's a made-in-Ontario approach that balances the need for prices that reflect the true cost of electricity and consumers' needs for

affordable and predictable prices. It's an approach that balances the need for private investment and supply and the recognition that electricity is a fundamental public need. And it's an approach that balances the best of a fully regulated electricity sector and the best of a competitive electricity sector.

Let me give you an example. One of the biggest challenges we face as a province is balancing the needs of small- and large-volume electricity consumers. Residential and small business consumers make up the vast majority of ratepayers in the province, but consume only 50% of Ontario's electricity. Their priority is stability. My constituents in Windsor neither know nor likely care about the subtleties of electricity markets, but they do know that they want a price for electricity that they can depend on, and they deserve no less. There are far fewer large-volume consumers, but they consume the other 50% of electricity in the province. Their priority is flexibility, so they can organize themselves to be as competitive as possible. The Electricity Restructuring Act meets the needs of both groups of consumers in Ontario.

With regard to rates, the Ontario Energy Board would approve an annual rate plan for low-volume and other smaller consumers, who would pay a blended price based on regulated, contract and forecasted competitive prices. Fixed prices for a large part of the energy consumed in the province would keep the overall blended price for electricity fair, stable and predictable. Consumers who do not wish to participate in the regular rate plan would have other options, such as purchasing their electricity from energy retailers. Our aim is not to limit options, but to in fact improve them. No one will be forced to put up with the gross instability of the market, but at the same time the annual rate plan option would not be forced on people interested in taking advantage of other opportunities.

Medium and large businesses would continue to have the flexibility to pay the market price for electricity, or could use retailers or financial hedging instruments to manage electricity costs. This flexibility includes having the opportunity and information to pursue cogeneration or distributed generation opportunities. Distributed generation, which is also attractive from a security perspective, holds significant promise for the environment, as it suggests an electricity system that minimizes massive transmission networks and focuses resources only where they are absolutely necessary. Our desire is to help Ontarians unlock the potential for efficient electricity generation that is around them. We will remove barriers, free up resources, and bring new thinking and new ideas to the challenges that lie before us.

Bill 100 recognizes that changing the way electricity is priced is simply not enough. Given the long lead times required to bring new capacity on-line and the need to create stability in the sector, we need to reorganize our institutions in order to ensure efficient management of the sector over the long term and to attract new investment to Ontario.

To that end, Bill 100 proposes to establish a new independent body called the Ontario Power Authority to

ensure long-term supply adequacy in the province, a mandate that no existing institution in Ontario's sector now fulfills. It would ensure that never again will we find ourselves in the predicament we are in today. The power authority would assess adequacy and reliability of electricity resources and forecast future demand. It would also prepare an integrated system plan for generation, transmission and conservation to be reviewed by the Ontario Energy Board.

In addition to its planning functions, the authority would have the power to procure new supply and demand management initiatives, either by competition or by contract. When necessary, it would use a competitive and transparent procurement process which would foster innovative and creative approaches to meeting our supply needs. In other words, the request for proposals which our government has announced for 2,500 megawatts of new capacity or demand management initiatives and 300 megawatts of renewables would be just the first of many future opportunities for the private sector to help us close the looming gap between supply and demand in the province. It's crucial that private investors be allowed to enter Ontario and support the construction of the thousands of megawatts of electricity we need to build over the next 15 years. If this legislation is passed, Ontario's electricity sector will become a great place in which to invest and earn a fair return.

Having a fully functioning electricity sector is not only about generating raw power; the province must also be concerned with conservation, the use of renewable energy and the security and diversity of our electricity supply. Therefore, through Bill 100, explicit directive power would be given to the Ministry of Energy with respect to targets for conservation, the use of renewables and the overall supply mix of electricity in the province. The Ontario Power Authority would be charged with achieving these and other targets set by the government and would include them in its system planning.

Competition of that supply will be the subject of an announcement later this year. In it we will lay out the government's view on where our supply will come from.

With respect to conservation, Bill 100 will help build what I have often referred to as a culture of conservation, which I believe to be a cornerstone of our long-term energy future. After all, a megawatt saved is every bit as good as a megawatt built. Therefore, a new conservation bureau headed by a chief conservation officer would be established as part of the power authority. The conservation bureau would lead Ontario's efforts to engage and empower consumers across the province and would develop province-wide programs that provide real incentives for Ontario's homes and businesses to conserve and to save money. It would also monitor the progress we are making.

It should be clear to everyone that our government doesn't see conservation as a flash in the pan or a fad of the moment; we see it as a real opportunity to help Ontarians prosper and as a valuable strategy to enhance the competitiveness of our province. As Premier

McGuinty has stated, we're committed to creating that conservation culture in Ontario. The Premier made rebuilding of our electricity sector and conservation cornerstones of his government's agenda. He believes strongly, as I do, that our success in this endeavour will be an important component of this province's future economic development.

Under the proposed legislation, the wholesale electricity market would continue to operate, but there will be several changes to the oversight mechanisms. The Independent Electricity Market Operator, or IMO, would be renamed the Independent Electricity System Operator, continue to operate the wholesale market and be responsible for the operation and reliability of the power system. Responsibility for the Market Surveillance Panel would be transferred from the IMO to the Ontario Energy Board. The OEB already has oversight powers to guard against abuse of market power. The transfer of the Market Surveillance Panel to the board is consistent with the board's consumer protection responsibilities and will consolidate and strengthen this mandate.

Under the proposed legislation, the Ontario Energy Board would continue to have a strong role in protecting consumers through licensing and rate regulation, and would ensure economic efficiency, cost-effectiveness and financial viability of the elements of Ontario's electricity sector.

The changes I have just described as part of Bill 100 will be a major step forward in delivering positive change to Ontario's electricity sector; however, this is no easy undertaking. As part of Bill 100, there are many complex and technical regulations that need careful and thorough attention. Accordingly, I am bringing the legislation to this committee for full study and evaluation over the coming weeks. We are hopeful that it will receive passage this fall.

We know that we will need the ongoing benefit of the ideas, expertise and dedication of those in the electricity sector and of all Ontarians to meet the immense challenges that face us. I'm confident that by working together we can ensure that Ontario will continue to benefit from an electricity sector that stimulates the growth of our economy, the competitiveness of our businesses, the success of our schools and the innovation and compassion that mark our health care system.

Thank you for listening to me, and I'll be pleased to take your questions.

The Vice-Chair: Thank you, Minister. We still have half an hour. I guess we can open the floor for questions. We're going to start with the opposition. Mr Hampton, do you have a question? Or we can move it to Mr O'Toole.

Mr O'Toole: Thank you very much, Minister, for a start to a very interesting and important group of decisions over the next while for all of us in Ontario.

I sort of see electricity as basically an economic tool of the province. As such, I see the role of elected members as far more important than perhaps you've alluded to today.

I just have a couple of concerns, and I'll raise those generally. You stated that about 50% of the consumption has a residential base. Really, it's the customer who sees it on the bill at the end of the day. They don't have many hedging tools or other instruments at this time. I pose that as a question: Is residential not closer to 30% or 35% or 40% on the total demand of electrons?

1030

Hon Mr Duncan: The numbers I stated in my speech are accurate and up to date. They're, what, 98% of the consumers' meters, and they consume 50% of the power?

Mr Rick Jennings: Yes, the 50% refers to all the people who are low-volume and designated consumers, which would include—

Mr O'Toole: Which could include some commercial.

Mr Jennings: Well, it includes commercial under 250,000 kilowatt hours a year and all the MUSH sectors.

Hon Mr Duncan: That includes small businesses, John.

Mr O'Toole: Yes, it's up to the 2,500.

Mr Jennings: Yes.

Hon Mr Duncan: The 50%—that small group that consumes—it's usually those over 250,000 kilowatt hours, which is essentially large operations.

Mr O'Toole: I'm more or less thinking of the residential side, which is the household.

One other thing too: The Ontario Power Authority, under Bill 100, is not a crown agency. It means its credit-worthiness is a concern going forward, in terms of a signal to the investor. Can you respond in a general sense? Is this all a regulatory response? The key is, how are they going to be funded?

Hon Mr Duncan: Well, they're funded through the rate base, but they'll be an arm of the government of Ontario, and their credit-worthiness will be well established.

Mr O'Toole: It'll be underwritten by the province of Ontario, the taxpayers?

Hon Mr Duncan: What do you mean by "underwritten"?

Mr O'Toole: In terms of their liability, in terms of their commitment—

Hon Mr Duncan: Ultimately, we're all on the hook for everything, no matter how we structure it. For instance, the mistakes resulting from Bill 35 that didn't reduce, shall we say, the stranded debt: From the province's perspective, it's back on the books and we're on the hook for it.

Mr O'Toole: Yes, that's the market power of a mitigation agreement.

Hon Mr Duncan: No, no, that's a separate thing. What I'm talking about is the fact that the plan between 1996 and last year to reduce the stranded debt and what consumers have been paying on each bill—we haven't reduced the stranded debt. It's exactly where it was; in fact, it's gone up slightly since 1999. We're on the hook for that at the end of the day.

Mr O'Toole: I don't want to sound negative. I commend some of the initiatives: the Beck project is extremely important; the idea of giving some sort of control

to the consumer with some sort of technology and metering, some of which is available today. I just want to be on the record as saying that I honestly see that most of the signals here, whether it's paying for the new power authority, for smart meters or for the RFP and the uncertainty of renewable sources, are going to show up in the bill.

You know yourself, without being overtly political, that you supported the 4.3-cents-per-kilowatt price. We ended up, when the market opened, in a very tenuous situation with high demand and short supply. You've outlined today that you're going to see some reduction of 80% of potential generation capacity over the next period of time. Your deliberations on coal—the 7,500 megawatts there—are a challenge. I put to you, do you think you can honestly commit today that those five coal plants, in total, will be off-line by the time of the election in 2007? That's your commitment.

Hon Mr Duncan: Yes.

Mr O'Toole: That's done. What's your plan to replace the generation capacity? Besides conservation and the RFPs in renewable, what's the plan?

Hon Mr Duncan: Well, you can't "besides" those. That's central to the plan. First of all, we've got a call for proposals for 2,500 megawatts out now; 500 have already come on stream, in terms of the new plant in Windsor. There are all kinds of other opportunities. We put out a call for proposals on renewables at 300 megawatts. We've had a response of close to 4,400. So you can't just say, "Besides those." The RFPs are an essential part of that, as was Beck 3.

There are other opportunities that we're looking at, going forward. The refurbishment of Pickering A, unit 1, adds another 515 megawatts. So we believe we have a prudent and responsible plan for replacing the coal-fired generation.

In your calculations, when you're talking about coal, you have to talk about childhood asthma. You have to talk about the weather forecast in my community last week that advised people to keep their elderly parents or children indoors because of air quality. You have a lot of these things, and you have to factor in that cost. What does the OMA say—some 1,900 premature deaths a year resultant from air quality? We know that coal plants contribute to CO₂. We know that the so-called—

Mr O'Toole: I don't have a problem—

Hon Mr Duncan: Let me finish. I listened to your question; let me finish.

We know that the so-called clean coals don't get the CO₂, they don't get the particulate, they don't get the mercury, so we have a very clear plan. The RFP for the renewables will be wrapped up and I expect we'll be signing deals in November for at least the 300 we called for. The 2,500-megawatt RFP should be wrapped up, I would think, and we'll be signing deals by January, I think it's fair to say. So that's an integral part of what we're doing.

You raised the question of energy prices. I think we all have to look at several very real factors. Last week the

price of oil hit \$44 a barrel; therefore, the price of natural gas has gone through the roof. Your government's whole policy was predicated on a stable natural gas price, which at the time wasn't an unreasonable assumption. That's just not there.

I attended the conference of energy ministers two weeks ago in Iqaluit, and the whole Western world is going to have to contend with rising energy prices and their impact. I remind you that the last two major recessions that our economy has been put into arguably resulted, at least in part, from energy price shocks. So we're all going to have to get used to that. Even the price of coal has doubled in the last 18 months.

So the question of how we manage the system—the inputs we put into it and their relative importance—is a very important one, and you're absolutely right: The price at the end of the day will be affected by the decisions we make on the inputs.

Mr O'Toole: I appreciate your candour, because I attended many sessions over the summer dealing with the availability and access to gas or liquefied natural gas. It's as volatile as any energy or fuel source that you've mentioned. Can you give the consumer any assurance that you will intervene in a real market to make sure that price is affordable for consumers? I'm talking about primarily those who have no smart meters; they have no response mechanism other than to pay the bill. Have you any way of assuring the consumers—my constituents and yours, all of the members' constituents?

That's the same problem, Minister, that we got into when the market opened. All the driving forces you've mentioned—the shortage of and adequacy of supply—what assurance are you giving the consumer beyond the current price increase of 4.7 and 5.3 per kilowatt hour? Is there anything in here to protect the residential consumer?

Hon Mr Duncan: Yes. The basis of the bill is a regulated price for small consumers that will reflect costs. We can't set up a system like we had where the government is artificially subsidizing price. That will discourage development, discourage conservation. What we can do, however, is use our so-called heritage assets and the regulator to ensure that consumers have a stable and predictable price.

Can I assure consumers that prices won't go up? No. That's a mug's game. They're going up everywhere; not just Ontario. In fact, they've gone up faster in many jurisdictions. If you look at a price comparison across jurisdictions in North America, you'll see that Ontario is right about in the middle. On the one end you have California, you have New York, you have some of the bigger US states, and at the other end you have Quebec and Manitoba. They're blessed. They have an abundance of hydroelectric power that's easy to produce and inexpensive. Our demand exceeded our ability to supply it by strictly water renewable, hydroelectric, about 40 years ago. We think we can squeeze a little more juice out of our rivers and streams in an environmentally responsible fashion, but certainly not enough to keep the

power on. So I don't think anybody anywhere can promise that we will hold prices down. We did that last year. We made a mistake in supporting that. It was a bad mistake, a bad error in judgment. We got over it and we're moving on, and we're trying to produce predictable, stable pricing.

The previous government's regime put small consumers on the wholesale spot market and their prices skyrocketed, for a whole variety of reasons. In an effort to mitigate that, they brought in a price cap, which cost the treasury a gross of \$1.8 billion, a net of close to \$1 billion. It's not sustainable.

1040

In this bill, we believe we will create for small consumers a predictable, stable pricing regime. I think most consumers understand that they have to pay the cost of what they use, but they just want some predictability and stability. The pricing at the end of the day will be a factor of the inputs, a factor of world markets, and a factor of how we manage the sector. We believe Bill 100 will minimize price impacts to both small consumers and large consumers.

Mr O'Toole: I have one small comment and one question.

The Vice-Chair: Mr O'Toole, some other people want to ask questions. We'll come back to—

Mr O'Toole: Yes, OK. Just one, and then I'm finished.

The Vice-Chair: A quick one. OK.

Mr O'Toole: Thank you. I do feel that, at the end of the day, it is price here. I believe that your election promise was an irresponsible promise. You and I both know that the whole issue of electricity—it's an essential product, and it's an essential consumer product. That is, essentially, the consumer today, the residential side, has no tools to respond to price, except to pay.

One last comment—and this is the question, as well—In your latest RFP, you excluded areas such as Durham, which is an electricity generation area within this province, from qualifying under certain incentives. I've sent you a letter on this, a resolution from the regional municipality of Durham, and I believe it's unfair and unwarranted that they were not included in the new RFP. Perhaps you could, for the record—I'll be sending it to them.

Hon Mr Duncan: First of all, what would be irresponsible is to continue on with the previous policy: to produce no new generation, higher prices, a deficit of \$1.8 billion. To do nothing would lead, in my view, to economic ruin. So I don't accept your premise.

With respect to the Durham exemption, I'll ask Rick to address that.

Mr Jennings: That was specifically the RFP. There are a couple of areas in the province that have been identified by the Independent Electricity Market Operator as particularly, for reliability reasons, needing new capacity, one of those being the area of downtown Toronto—basically, there is a limited number of options for bringing power in there from the transmission

system—and, similarly, the area west of Toronto, the western GTA, Mississauga and Etobicoke. That is in part because of the closure of the Lakeview generating station, but also there have been transmission congestion and voltage problems there already.

Those two areas have been identified as particularly needing, for reliability reasons, new capacity. So it isn't really that any other part of the province is being treated as if we don't want the supply from there. It's just that, as part of this RFP, we particularly need short-term capacity in those places. We're talking about in the near term, the period up to 2007.

Hon Mr Duncan: If I can, I think the final point on that is that Durham has 25% of the province's generation capacity now, and only 6% of the province's load. Finally, in terms of Pickering, in particular, we're investing another \$900 million there.

The Vice-Chair: Mr McMeekin.

Mr McMeekin: I think it was Bobby Kennedy who once said that good judgment is based on experience, and experience invariably on bad judgment. I remember when I asked my mother what that meant, she said, "Well, son, it means keep making mistakes, but at least make new ones. Don't repeat the ones that you've done."

My dad, the business guy, explained the difference between risk-taking and risk management. So I want to begin by complimenting you on what I think is, from appearances and what I have heard, the ability to manage the risk, finally to get into the planning that I think even a partisan observer would probably conclude wasn't as adequate as it needed to be.

I hear the words. I like the word "balance." I like the words "culture of conservation," and I noted—and I was watching for this—a series of what I call the "S" words that you went down, Minister. You talked about system planning and fair, stable and predictable electricity. You talked about the need for enhanced supply. You talked about stability and sustainability. But you mentioned another "S" word that really caught my attention, and that was your reference to security considerations, particularly in the context of, I think, the distribution network. It may have been around the RFP. I wonder, sir, if you could just elaborate a little bit on what you mean by "security considerations."

Hon Mr Duncan: Security deals with the fact that last year we imported a blackout. It started in the US and, because of the way the systems work, it worked its way up here.

Security has to do with reliability, and that is, not only do we need enough electricity generation capacity, we have to make sure we get it to households and businesses. We're proposing to remove the impediments to distributed generation through things such as net metering and other undertakings of that sort. That was the context in which I was referencing it. Let me tell you what that means.

Ontario, for the past 50 years, has had an over-reliance on these big mega-projects, whether it's nuclear power plants or generating stations and so on. We believe there

is a lot of opportunity in distributed generation. We see examples of it already in cogeneration. There are real regulatory barriers to those things happening. This will be particularly important to some large operations—for instance, pulp and paper and steel—in their manufacturing processes, which can, through their own by-products, create their own electricity. That will help them to manage their electricity costs in a better way than they are able to do now. This will be particularly important, in my estimation, to the north of Ontario. The pulp and paper industry in particular has a tough time with electricity costs, which can range anywhere from 28% to 37% of their overall operating costs, just on electricity.

By having a system of distributed generation, number one, there will be more opportunities in the event of a situation like last year for firms and individuals to operate in the absence of the central. But more important, it will give those larger operations, and even small households, the ability to manage their own affairs and their own electricity costs a little bit better. It will, in a sense, spread out the electricity generation across the province. The more diversified that is, the more secure the system will be over time.

Mr McMeekin: There's a story around the blackout that when we called upon Hydro-Québec to provide some supply, the system was set up in such a way that to get to Ottawa it had to be routed all the way around and back up through the province rather than simply across the river. Is that the kind of thing that you're talking about, supply in place? You mentioned Durham in passing as having a huge and important role to play currently, but there are other places that need the power. If we want to do the generation in place, is that part of it?

Hon Mr Duncan: Smaller generation closer to home, essentially. That will provide for greater security over time.

But you raise another important issue, and that is import and export of electricity, trading in electricity between jurisdictions. What is interesting is that even jurisdictions such as Quebec and others that have a had long, proud history are starting to run into problems in terms of generation. This is a continent-wide phenomenon; indeed, I would argue it's certainly a Western world phenomenon. The Italians, for instance, are in the process of installing 30 million smart meters. That puts our four million to shame. Why? Because they don't have the generation capacity. They are largely dependent on imports from other countries and, again, they've got to manage.

If you go to western European countries, you'll see a much different culture. You'll see most rooms equipped with motion sensors that automatically turn lights on and off. You won't have rooms cooled the way this one is to accommodate television equipment and so on. The lighting system in my office was one of those systems that was done in, I think, the late 1960s or early 1970s—the only thing missing is the orange shag carpet on the floor—but we can't remove it because it's a heritage site.

So there are lots of changes we can make in a responsible and practical way that will allow us to do

better, and one of them is to allow folks to produce their own electricity closer to home. If they produce more than they use, they can sell it into the grid and that will help all of us. And it's cleaner, generally speaking.

Mr McMeekin: Mr Minister, that makes sense.

One final: Coming in today, somebody quoted a verse from the Eskimo Bible, where they said, "Many are cold but few are frozen."

1050

Mr Howard Hampton (Kenora-Rainy River): I want to ask the minister a couple of questions. In the run-up to the election campaign and during the election campaign, you and your leader, the now Premier, said over and over again that it was absolutely essential to maintain a price cap of 4.3 cents a kilowatt hour on electricity. I think within about four or five weeks after the election, you immediately reversed yourself on that. Some would call that a broken promise—a pretty big broken promise for consumers, who saw their bills escalate rather significantly. Can you explain this sudden about-face: that before the election and during the election it was absolutely essential to retain the price cap, but then, almost overnight, after the election, "No, the price cap is not sustainable"?

Hon Mr Duncan: I guess it's like public auto insurance.

Mr Hampton: I still believe in public auto insurance.

Hon Mr Duncan: Yes, but you didn't do that when you were in government.

Look, we were wrong before the election. We made a mistake. It cost the treasury \$1.8 billion gross, \$1 billion net; it wasn't sustainable. You've talked about power at cost, yet you advocate a subsidy that doesn't pay the cost. So that inconsistency—

Mr Hampton: I didn't support the price freeze.

Hon Mr Duncan: Yes, you have. You've always talked about power at cost.

Mr Hampton: I didn't support the price freeze.

Hon Mr Duncan: You've always talked about power at cost; you haven't said what the cost is. What do you think the cost is?

Mr Hampton: Well, there would be a big difference in cost between private generation and public generation, because private generation—

Hon Mr Duncan: Why is it, then? I guess I would submit—

Mr Hampton: But I'm asking you.

Hon Mr Duncan: What are you asking?

Mr Hampton: The question is, before the election it was absolutely essential to maintain the price cap at 4.3 cents a kilowatt hour.

Hon Mr Duncan: We were wrong.

Mr Hampton: Then after the election, suddenly, "Oh, we can't do this." We knew during the election and before the election—I see members of the press gallery here who were reporting monthly that the price cap was costing \$800 million in subsidies on an annual basis, then \$900 million, then \$1 billion. You knew during the election campaign that it was costing the treasury of Ontario

\$1 billion on an annual basis to maintain the price cap, yet, knowing that, you said, "It's absolutely essential to maintain the price cap." What changed? The financial information didn't change. You knew that financial information before the election campaign, during the election campaign and on election day. What changed?

Hon Mr Duncan: That information was not known. In fact, the government of the day argued that it was revenue-neutral and that it would pay for itself over time. It didn't and it wasn't. It was well on its way to going down.

What's important in my view is that we reject a policy that hasn't worked. We've laid out a plan here, and I'd invite your comments on that going forward. I believe that prices—by the way, the price of electricity is down about 19%, year over year, as a result of new generation, good weather and so on.

I believe what's important moving forward is that we have a system that will work and serve people reliably and be transparent. That's why, by the way, we put Hydro One and OPG under freedom of information, which they weren't before, so that none of this could be hidden again. The plan that projected revenue neutrality over four years, I think it was not seven years, wasn't working, wasn't even close. When the books were opened and Mr Peters went in and audited, we found the gross cost to be \$1.8 billion, with no probability of it being repaid. So we were left with a choice, and we made the choice.

Mr Hampton: All of that was known before the election.

Hon Mr Duncan: It's like public auto insurance. I don't need a lecture from you on consistency between campaigns and after campaigns.

Mr Hampton: I'll be happy to raise the issue of public auto insurance going forward. It seems to me that's another promise your government has had problems with in terms of lowering the cost of auto insurance.

You said that you wanted to get the government out of setting hydro rates. In fact, I believe in one of your speeches earlier this spring you said your government was going to end that. You said that as of April 30, 2005, government would no longer be setting hydro rates, that they would be set independently by the OEB. Cabinet and government would have no role. Yet I read your legislation, and it would in fact re-enact section 79.4(1)(a) and (b) of the Ontario Energy Board Act. In fact, it says that rates will continue to be set by regulation until some future date. In other words, despite your speech this spring, some of the rates will continue to be set by cabinet. Isn't that another reversal?

Hon Mr Duncan: No. The rates will be set by the Ontario Energy Board once the legislation is passed. We can't presume the legislation. We can't presume the Legislature. There are mechanisms. The government still appoints the members of the Ontario Energy Board, but what we're trying to do is remove situations where members of Parliament are constantly having to do this, so that what we're left with is a regulator which is as

independent as possible from the government. That involves not appointing former politicians to the Ontario Energy Board, like Mr Laughren, for instance, and others. We're trying to remove politics from—

Mr Hampton: Mr Laughren was criticized by the Conservatives for letting the rates go too high.

It strikes me as a contradiction: You said in your speeches that the government would no longer be involved in setting hydro rates, yet I read the legislation and you are re-enacting section 79.4 of the Ontario Energy Board Act and giving cabinet the power to continue to set hydro rates.

Hon Mr Duncan: You're reading that wrong. My recollection of 79.4—Rosalyn, do you want to go a little more into that?

Ms Rosalyn Lawrence: What we have done in the draft is to allow for a fuller exit from the Bill 210 legislative framework. Section 79.16, which I believe is the section you're referring to, simply allows us the mechanism to actually continue to make the transfer over to the OEB. The firm intent is not to extend it beyond May 1, 2005, but in fact to enable an earlier exit, potentially this fall. But we actually need the ability to transfer over. So if 79.4 is repealed, we would still have 79.16 as the legal mechanism.

Hon Mr Duncan: Essentially it's a transitional mechanism that will in fact allow us to exit sooner if that happens. If we're able to get the power authority up and running, it should allow us to exit sooner. It's a transitional mechanism.

Mr Hampton: So you're saying that as of April 30, 2005, by the latest, the energy board will be setting all hydro rates independent of cabinet and government?

Hon Mr Duncan: Yes.

Mr Hampton: OK. I want to go back to a question that Mr O'Toole asked. He asked you if all of the coal-fired plants will be taken off-line and shut down by the end of 2007. I believe your comment was, "Absolutely."

Hon Mr Duncan: I said yes.

Mr Hampton: So they will be off-line. Can you tell me why, then, when you look at your own request for qualifications for the first 2,500 megawatts of replacement power, it doesn't say that bidders have to be ready by 2007? It says on page 4 that you will accept bids which have the new plants starting up in June 2009. Your own bid document doesn't say you must be operating by the end of 2007. Your own bid document says you don't have to be up and running until June 2009, and that's just for the first 2,500 megs. There are another 5,000 megs from coal-fired plants that have to be shut down. If your first document says 2009, and the other 5,000 that come later aren't even addressed, how do you shut down by 2007?

Hon Mr Duncan: We're on very tight time deadlines, there's no question.

Mr Hampton: It seems to me that no matter how you play with it, June 2009 doesn't equal December 2007.

Hon Mr Duncan: I believe that at least a good portion of the projects coming out of this RFP will be ready to

run by the time of our deadline. We're moving as fast as we can. We'll be closing down Lakeview next summer, on schedule. We're planning each one of them individually, and I believe we're going to be there.

1100

The Vice-Chair: Mr Hampton, the time for the minister's briefing is over, unless the committee decides to extend it and have more questions.

Mr O'Toole: I agree to extending it. Mr Chair, I move that we extend the question period another 15 minutes.

Hon Mr Duncan: I've got about 10 more minutes.

The Vice-Chair: Is everyone agreed? Carried. Mr Hampton.

Mr Hampton: It strikes me as very strange that your document says you don't have to be ready until 2009, and you're saying they'll be ready by 2007. In other words, you're operating on a hope and a prayer. Legally, if they don't have to be ready until 2009, and there's likely to be slippage on that, all you've got to offer the people of Ontario is a hope and a prayer, because there's nothing legally binding.

Hon Mr Duncan: We have already moved substantially to begin to replace the coal, and it's hardly a wing and a prayer when we're talking about a multi-billion dollar investment. Multibillions of dollars may be a wing and a prayer to you; they're not to us.

The range, by the way—you didn't read your document entirely; you took it out of context and misquoted—is 2006 to 2009. It's a shame that you choose to read things out of context and don't read the whole thing. You ought to get it straight in your own mind before you start passing that on. We believe that most of the 2,500 will be in place by 2007. Perhaps your briefing note doesn't adequately cover it. It's a 150-page document, I believe, which you may not have taken the time to read or be briefed on. My officials will be happy to do that shortly for you.

Mr Hampton: Does this document not say on page 4 that you will accept bids that have the new plants starting up in June 2009?

Hon Mr Duncan: It also says we'll have a range of 2007 to 2009, yes. There are also things we can do in the transmission system to help redirect power into areas where it is needed. There is lots of flexibility and there has to be flexibility, Mr Hampton. The only thing that's more flexible than that has been your position on coal. During the election, you were going to shut them down and then in January you were quoted on CBC as saying we couldn't do it or we shouldn't do it. You've been more flexible on coal than you were on public auto insurance or you were on labour—

Mr Hampton: Mr Duncan, you look after your own record.

Hon Mr Duncan: I am looking after ours and we're going to make sure we achieve that goal. If I slowed down because people like you and others don't believe it so much—but we're moving toward that goal in a prudent, responsible fashion.

Mr Hampton: I told members of the media, some of whom are here, that the goal of 2007 was already too ambitious. I told them that during the election campaign.

Hon Mr Duncan: That's not how it was reported.

Mr Hampton: Now it appears that you're going to accept bids for power in 2009 and you're telling people it's going to come on stream in 2007.

Hon Mr Duncan: Mr Hampton, as I said at the outset, we're going to be dealing with replacement up until probably—we have to replace 80% because governments like yours didn't do anything except open Darlington.

Mr O'Toole: I want to be on the record as well that it's a laudable goal. But is it an honest commitment on the coal issue? It is laudable for health and other reasons. We should be looking at clean coal technology and other solutions, but that's just a statement.

With respect to the bill that is before us, Bill 100, I see this as a bill that is drawn up pretty much as a regulation bill and it doesn't provide much certainty for the direction. For example, the Ontario Energy Board will be responsible for fixing the rates, as I understand it, but much of that direction is under government regulation, which isn't available yet. So there's a great deal of uncertainty on price and the fact that this is a heavily regulated bill.

On a very technical area, I'm concerned about the relationships between some of the authorities—the Ontario Energy Board and the OPG. I mentioned the uncertainty of it not being a crown agency and its credit-worthiness. That is a longer-term market question. But the real question I have is the requirement in the bill for the Ontario Energy Board to provide certain commercial information to the energy board. It's understandable for them to determine price. This is very commercially sensitive information.

The Vice-Chair: What's the question?

Mr O'Toole: My question there is, what precautions are going to be taken in a very volatile market dealing with energy or fuel sources, technically? Is there going to be anything in the bill that protects this commercially sensitive information?

Hon Mr Duncan: I'm going to address part of it and I'm going to ask my officials to address the balance. First of all, you're right, John. There is a lot left to regulation, and there's no doubt about it. We will be consulting about the regulations before they're gazetted as well. By nature, it's heavily dependent on regulation. What we've attempted to do is set up a system of checks and balances within, which wasn't there before. Frankly, just relying completely on a free and open market did not provide those. We believe that this so-called hybrid that we produced does a little bit more of that.

I'm going to ask my officials to address the more technical nature of the question.

Mr Steve McCann: I'm Steve McCann, from the legal services branch of the Ministry of Energy. Just addressing your question about information supplied to the Ontario Energy Board, the Ontario Energy Board is a tribunal that operates under the rules of natural justice.

Most of its processes are open, in the sense that parties can ask questions, cross-examine and so on. It has provisions for information to be provided in confidence and to be dealt with in confidence and the public to be excluded from the discussion, although the parties would still be represented.

I think it's a good point that as the OEB regulates the prices of generation assets, which is really a new role for it, it's going to have to look at its confidentiality procedures and determine whether and when there's a good case to be made for certain commercial information being dealt with in a closed hearing and that kind of thing. But I guess the basic point—

Mr O'Toole: So it is a new role for the Ontario Energy Board to have price information, which is really in conflict with its function, technically. How can it set price without knowing the costs on the other business risk assessments?

Hon Mr Duncan: I guess the best example would be the way it regulates natural gas prices. As a quasi-judicial panel, they will have the right to certain information, as it's worked for years and years in Ontario with respect to natural gas. Indeed, we think that that's fair and prudent.

Mr O'Toole: Well, we dealt with that in the House on natural gas, the retroactivity provisions under the Ontario Energy Board ruling on repatriating or recapturing costs when they look at an annualized performance of price, which they have fixed. They fix a price; the industry comes in and says, "It has cost us more than that," and they accept the commercial information and roll it back to the customer.

Hon Mr Duncan: I'd remind you, though, that your government made changes to the process last year which, at the time, resulted from a huge public backlash to retroactive pricing.

Mr O'Toole: This whole debate is really about price. There's no question that price, and who regulates the price, is the most important signal, both to the investor and to the consumer.

I have two little questions here. Is this going to be a genuinely competitive market, through the RFP process, the Ontario Power Authority, where you have commercialization and investment from private investment and generation? New generation is going to be commercial and private, for the most part, right?

Hon Mr Duncan: Yes, but the so-called heritage assets—water, hydroelectric, nuclear—all remain in public hands. Right now I think gas is about 8% of our consumption. New renewables, non-water renewables—there's interesting growth there, and a lot of stuff going on in the private sector. So there will be lots of opportunity there.

But as the electricity supply task force indicated, the model is a regulated price for small consumers, using our base assets. Right now, at Niagara Falls, I think we're producing electricity at about 1.7 cents a kilowatt hour. We're using that to help stabilize price and make it predictable, knowing that the other sources are volatile, no matter what. Even if people didn't want to get rid of

coal, coal has doubled in a year and a half, in terms of its price.

But to answer your question, yes, a portion of the market will be wholly competitive.

Mr O'Toole: You spoke last Friday—

The Vice-Chair: I'm sorry, Mr O'Toole. We'll have another questioner before the time expires. Mr Craitor.

Mr Kim Craitor (Niagara Falls): Just a couple of questions. One has to do with conservation of electricity. Just to share with you, I think a lot of my colleagues know that my daughter lives in the Cayman Islands. The first time I visited her, I remember clearly when she explained to me about making sure the lights are turned on or off, not using the washing machine and the dishwasher at a certain time, and she explained to me how the mentality down there was conservation. Of course, being on an island, they know the value of electricity and how it should be used and when it should be used. So I just wondered if you might expand a little bit on the role and responsibility of the conservation bureau, because that is one of the key focuses of this bill.

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Hon Mr Duncan: In Ontario, we are the second-highest per-capita consumers of electricity in the world, second only to Quebec.

I want to begin by saying that conservation doesn't involve a terrible change in lifestyle; it just means using our electricity more wisely and more efficiently. I often compare it to what we had to do with the blue box in the 1980s.

Up until about the early 1980s, we just took our garbage, put it in a bag, and sent it to a landfill. We had to change our whole culture, everything from how we teach kids to how we landfill, how we recycle—the three Rs. We're nowhere near that in Ontario. In fact, our growth and consumption have gone up so much compared to other jurisdictions. I think California's consumption has gone up 1% since 1977. Ontario's has gone up 25%. Now, 60 to 70 years ago, when most of our electricity came from Niagara Falls and through our hydroelectric system—inexpensive, cheap—there wasn't the urgency.

Hydroelectric accounts for about 25% of our electricity generation today, and all the other sources are more expensive. There's no question. Whether it's nuclear, coal, gas, new renewables, they're all more expensive. So we think that a more prudent use of our existing supplies is in order, and that involves a cultural change. Anybody who has spent time in Europe or other jurisdictions, like your daughter, knows that, because of our history and the relative abundance of inexpensive electricity until about 40 years ago, we're a bit behind in that.

So we've created the conservation bureau, and we're going to have a chief conservation officer. This came from the recommendations, again, of the electricity supply conservation task force, saying that there had to be a champion of conservation and it had to be more than a passing fancy.

Donna Cansfield, my parliamentary assistant, is heading up our conservation action group. You can expect a fairly substantial piece of legislation later this year dealing with conservation across not only government but dealing with various ideas in the whole conservation area, which we will, of course, send to public hearings as well.

We do have to change our way of thinking, and part of that is we've announced our smart meter initiative. In order for somebody to save money by doing their dishes later in the day, you have to have a meter that measures the time of day you do it, and you have to have a rate structure that does the same thing. We don't have that.

Those electricity meters you have in your house today—the same technology was in place almost 90 years ago. It hasn't changed. We're way behind the times, and as I say, we think that these initiatives, taken together, will allow us to make better use of our electricity resource without curtailing our lifestyle. I don't think anybody's suggesting for a moment that we can't continue to lead the quality of life we've had up until now. Just make better use of the electricity we have.

The Vice-Chair: Thank you for the briefing. Now, I guess the time's expired.

We can move on to the technical briefing from Rosalyn Lawrence, director of consumer and regulatory affairs, and Rick Jennings, director of energy supply and competition.

Ms Lawrence: We are here to provide a bit of a detailed walk-through of the structure and order of the act and to highlight for you where the specific amendments are.

As the minister touched on in his speech, this act principally sets out the institutional framework to ensure reliable supply, stable pricing and an enhanced focus on demand-side management and conservation activities. In addition to establishing new institutional responsibilities, it streamlines existing mandates among some of the existing structures and entities in the electricity sector to minimize potential for overlap and duplication.

It is comprised of three schedules. The amendments are largely contained in two: schedule A, amendments to the existing Electricity Act, 1998, and schedule B, amendments to the Ontario Energy Board Act, 1998.

Slide 2 highlights some of the features of schedule A, the Electricity Act amendments. Bill 100 would revise the purposes of the Electricity Act to reflect the priority, in particular, of promoting adequate and reliable supply and capacity. It continues the existing Independent Electricity Market Operator as the Independent Electricity System Operator, with continued responsibility, as exists today, for overall power system reliability, the development and design of market rules, as well as oversight and administration of the wholesale market and its operations.

The bill would establish the Ontario Power Authority and, within that authority, the conservation bureau, with responsibility for ensuring overall resource adequacy, a new responsibility that isn't in the act currently for

integrated power system planning, and the promotion and facilitation of conservation and load-management activities.

In terms of policy oversight vis-à-vis the power authority, the bill would enable the Lieutenant Governor in Council to issue directives on overall planning goals to guide the OPA in its planning responsibilities. Those would include directives related to preferred supply mix, alternative and renewable energy sources and targets, and the coal phase-out, as well as conservation targets. The OEB would have regulatory oversight of the Ontario Power Authority's system plans as well as its procurement processes.

The bill reflects the principle which the minister referenced that electricity prices will reflect actual costs, and it empowers the IESO to ensure that market participants and customers pay those costs, which are a mix of regulated and market prices.

It enables the OPA to facilitate a stable rate plan, principally through the establishment and administration of a variance account, and that goes to the annual stability for small consumers.

It removes barriers that exist in the current drafting of the act which preclude local distributors from the ability to sell customers a portion of their power from green energy sources, and as well enables them, which they cannot do now, to directly deliver conservation, efficiency and load-management initiatives.

Finally, it transfers responsibility for the review of market rule amendments from the Minister of Energy, as a result of amendments to the act in 2002, to the independent regulator, the Ontario Energy Board.

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Schedule B of the act sets out proposed amendments to the Ontario Energy Board Act, including provisions to focus or streamline the OEB's current objects and narrow their focus on their principal or core business, which is consumer protection and economic regulation. That would be the financial viability of the industry and the efficiency and cost-effectiveness of proposals that come before it.

The schedule also transfers the independent market operator's existing Market Surveillance Panel, which is a three-person panel that advises and monitors potential market abuse, from the IMO to the Ontario Energy Board.

There is provision for the energy board to license the Ontario Power Authority and the Lieutenant Governor in Council's ability to stipulate potential conditions if it so desires.

There are parallel amendments in schedule B that remove barriers to local distribution companies' participation in delivery of conservation initiatives.

It provides for the energy board to develop an annual rate plan for certain classes of consumers, low-volume consumers included, that both reflects and recovers the actual cost of electricity over the year.

There is provision for the energy board to regulate Ontario Power Generation's baseload generation assets—

nuclear and certain hydroelectric. There is also the ability for the government to set that price by regulation initially.

The schedule also includes provision for payment flows between and among various market participants, generators and customers, to cover off OPG's regulated assets, as well as the non-utility generation contracts and other procurement contracts. It has a series of regulation-making authorities to enable a smooth transition, both with respect to establishing the power authority and handing independent regulation back to the Ontario Energy Board.

Slide 4 sets out overall governance and accountability features that will guide both the power authority and the independent system operator. The boards will consist of 10 independent directors appointed by the minister. The board of directors would subsequently appoint the chairs. They serve at pleasure for an initial term of up to two years, and up to five years thereafter. The first chief executive officers, as well as the chief energy conservation officer, would be appointed by the minister. Again, they will subsequently be appointed by the board. That is to expedite the transition in getting the institutions up and started early in the new year.

The governance and structure bylaw will be developed by the boards of directors respectively and approved by the minister. Those governance and structure bylaws will include salary and remuneration particulars of the boards.

There will be an advisory committee, to be appointed by the minister, to provide either the boards of directors or the minister, if desired, with advice related to each institution's mandate.

The minister will approve their business plan for proceeding to the energy board in advance of going to the board. That will include budget particulars and strategic priorities for the coming year. They are required to provide an annual report to the minister. Specific and detailed public review of their proposed expenditures and plans will be conducted by the OEB.

We have drafted the capacity to have their accounts and transactions audited by the Provincial Auditor, in addition to an independent auditor appointed by the board, and we have extended a very narrow exemption for freedom-of-information purposes for commercial and market-sensitive information. This is an exemption that currently exists for the Independent Electricity Market Operator. We've replicated that going forward.

The minister touched on the mandates. Again, the system operator's mandate replicates the existing mandate of the independent market operator save for the transfer of medium- and long-term forecasting to the power authority. The power authority will do forecasts and assessments for the medium to long term. Generally, that's regarded as anything beyond 18 months. Certainly we'll do a long-term rolling integrated power system plan as well.

The OPA's mandate and powers include the capacity to promote and contract for new supply capacity, renewables and demand management initiatives and

activities. They will act as the settlement agent for all the contracts, which will ensure that the revenue streams flow through the OPA. There is a provision for them to use the existing settlement processes and systems of the IMO in doing so.

They will hold the variance account, which again is the crux of the annual rate plan that will be cleared. There is provision to clear that annually, and that would be rolled forward in small consumer prices for the coming year.

Again, the conservation bureau is established to promote conservation and demand management activities.

With respect to the Ontario Energy Board, Bill 100 would streamline the board's existing objects to two key functions: economic efficiency and cost-effectiveness as well as consumer protection. The existing Market Surveillance Panel and the current members and expertise that exist on the panel would be continued under the board. The bill proposes regulation-making authority, to dissolve at a future date if it is determined going forward that it's more appropriate to have the board assume that function on its own.

The board will review and approve amendments to market rules—again, the regulatory oversight of the IESO in that regard—and will review the power authority's proposed procurement process within specific time-lines. For greater certainty for new investors, the costs of those contracts will be deemed compliant and recoverable from customers. They will review and approve, within a time frame specified by the minister, the rolling long-term integrated power system plan.

The board continues its responsibility for licensing existing market participants. Additionally, it will license the power authority. It will also have the ability to require transmission licensees—by and large, in Ontario, Hydro One—to implement specific transmission requirements identified in the integrated system plan. There will be deemed licence conditions to provide the OPA and the IESO with necessary information to do their work.

They will also have responsibility for rate regulation. That will include the annual rate plan, which in any given year will consist of a forecast of the wholesale market price and any amounts—credit or debit—that exist in the power authority's variance account, as well as the fixed-price adjustment, which is to consist of Ontario Power Generation's price-regulated assets, the NUG contracts—direct and indirect costs incurred under those—and capacity and supply contracts that are procured.

They will also have the ability, in terms of structuring their annual rate plan, to look at the development of block pricing as it exists in the two-level price plan that is in place currently as well as time-of-use rate structures or seasonal rate structures.

They have flexibility to deal with different customer classes. An example of that might be that currently, with the two-tier price, there is a special regulation in place to address those who live in condominiums or apartments and ensure they get a conservation entitlement that is equitable to other residential consumers.

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Mr Jennings: I will start on slide 6. This one deals with ensuring reliability. One of the features of this legislation is that we are adding responsibility for reliability to the Ontario Power Authority. This sets out, in terms of the directives that the minister will be able to issue, directives to the Ontario Power Authority that they're required to implement related to fuel mix. Those could be in the areas of alternative, renewable targets—the government has put some of those in place already; that could be on an ongoing basis—fuel mix, in terms of which sources they should be pursuing. Directives related to the phasing out of coal-fired generation facilities would be an example. Particularly through the conservation bureau, there would be opportunities to increase conservation initiatives. Similarly, the government could have targets for the province as a whole in conservation or for specific sectors, or even for particular parts of the province, and that might be based on reliability requirements.

The Ontario Power Authority will be developing forecasts for requirements for electricity demand in Ontario and resource adequacy. This function is currently being done by the independent market operator. They do reports every quarter on an 18-month outlook, and annually they do a 10-year outlook. Those reports are basically for information purposes for the participants in the market, and they don't need to be acted on. The original rationale behind that was that the market would respond to the resource requirements identified in those reports. The OPA will have that responsibility, and as part of that they will also be doing both the adequacy in forecasts and also looking at resource adequacy on both the generation and the transmission side and potential conservation measures.

The Ontario Power Authority will take the next step of developing an integrated power system plan. In saying "integrated," we're talking about generation, transmission and conservation. The intent would be that they would be developing a plan that would look after provincial needs from a range of options. This could include, for instance, if there are transmission congestion issues, promoting distributed generation which could relieve that pressure. On the other hand, there could be local demand problems that could best be met by expanding transmission capacity.

This plan that the power authority would develop would be a relatively long-term plan, somewhere between 10 and 20 years, and they would be developing them probably every two to three years. These plans would then be subject to review and approval by the Ontario Energy Board. Those would likely be through a public hearing process, and certainly interveners would be allowed to make submissions and comments on the plan.

The OEB's principal focus in reviewing those plans would be to look at consumer protection and the economic efficiency and cost-effectiveness of the plan. The OEB would be able to approve the plan or send it back to the OPA for changes or suggested changes.

We have also provided in the legislation that the minister can give a particular timeline or deadline for the OEB to act on the Ontario Power Authority's plan, so you don't have such a long approval process that the plan becomes out of date.

Given this plan, which has been approved by the OEB—and the OEB, as part of this plan, would have approved any procurement or capacity requirements identified by the Ontario Power Authority—the OPA would then develop a process for contracting for new supply or whatever measures had come out of the plan, contracting for conservation measures. The OEB, having approved the process, would not then have to approve the individual contracts that come out of the plan. So using the 2,500-megawatt RFP that the ministry is currently operating under as an example, if subsequently the Ontario Power Authority identified a similar need, then that plan would get approved by the Ontario Energy Board, the process would be approved by the Ontario Energy Board, and once that process had been approved, the Ontario Power Authority would be able to go out and contract for the supply and sign the contracts, and the parties to the contracts would then have assurance that they would be able to have their contracts taken and there would also be recovery of those contracts from the marketplace.

Again, it's broader than just procuring generation. It will also be procuring conservation, identifying conservation programs and focusing on renewables and alternatives. In addition, as part of this plan, they will be able to ensure adequate transmission requirements, and the Ontario Energy Board would be able to require Hydro One to implement those as part of its licence requirements.

The next page, page 7, illustrates how the prices would flow through to consumers. First of all, we have the spot market, the wholesale market that the IESO runs. All of the generators would be submitting offers into that market on an hour-by-hour basis. Some of them would be receiving the market price; others, when they get settled at the end of the month; in the case of Ontario Power Generation, some of its assets, the nuclear and base load hydro, would receive a regulated price. The non-utility generation contracts that were developed in the early 1990s—those are long-term contracts—would receive their contract price under those contracts. In terms of some of the new supply that's contracted through the power authority, they would be receiving the market price for their output and there would be some other capacity or support payments that they would be paid as well, and those would be recovered from consumers through the market.

So in terms of the types of consumers there are, the direct market participants—an example of this would be about 100 large industrial customers who all use over five megawatts. There is also a similar number of large commercial customers. Those customers would pay the wholesale market price. They would receive an adjustment to their bill each month that reflects the various

fixed-price payments that go to the Ontario Power Authority. The same adjustment would be on a per-kilowatt-hour basis, so they would receive it based on their consumption that month.

In terms of distributors, there would be several classes of people who are served through the local distribution companies. The low-volume rate plan participants—those are ones who have their rate plan essentially set by the Ontario Energy Board on an annual basis—will be paying what is identified in the rate plans. So they will have stable rates over the year. There will be a variance account that the Ontario Power Authority will hold, and at the end of the year that will be cleared so that the next year the rate plan reflects those costs. Over time, they will be paying the full cost, but they will have stable rates.

In terms of other customers, those customers who use more than 250,000 kilowatt hours a year—and some people who are under that, who want to get on to interval meters, will also have the opportunity to pay the wholesale market price—will receive a bill on their energy for the wholesale market price for that month based on their time of use and they will also receive an adjustment which will pass through the fixed price for the OPG base load hydro and nuclear assets.

Those customers who are on retail contracts will pay the contracted price they have with their retailer. Then they will similarly receive an adjustment each month which reflects the difference from market price that's paid to the OPG regulated assets, the non-utility generation assets and any of the contract payments under the past payments for the Ontario Power Authority.

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Page 8 refers to transition and other amendments. As part of the legislation, there is provision for transferring some responsibilities to different players in the sector, and I think these have been mentioned. One is that the market surveillance panel, which currently reports to the board of the independent market operator, will be transferred to the Ontario Energy Board. They will continue to rely on the independent market operator—the IESO now—for much of the information that they use.

The responsibility for medium- to long-term forecasting and reliability assessments will now go to the Ontario Power Authority.

The various contracts and requests for proposals—for instance, the two that the minister mentioned: the 2,500 megawatts for clean supply and demand management and the 300 megawatts for renewable—will be transferred to the Ontario Power Authority. There's provision in the act for that.

There is not a specific provision to transfer staff or resources, but there is a provision to enter into service agreements, and there will certainly be ones between the Ontario Power Authority and the IESO, in terms of settlements.

The Ontario Energy Board will be allowed to award costs for participation in processes beyond the formal hearing process. They currently award costs for par-

ticipants in a formal hearing process, but this will help encourage or facilitate more informal and less legal processes.

In terms of the Municipal Freedom of Information and Protection of Privacy Act, the local distribution companies were exempted from that act at the same time that Ontario Power Generation and Hydro One were exempted. Those exemptions are repealed. Similarly, the exemption for the local distribution companies is also repealed. So they're on the same basis as Hydro One.

In terms of the retailers, at the time that Bill 210 was put in place, the retailer contracts with low volume and designated consumers went to a fixed price. The retailers continued to receive payments, which were based on the difference between their contract price and the wholesale market price, and that was to continue until the contracts expired. Those contracts are generally three to five years in length, and they date from May 2002, for the most part. So they would start to expire over the next couple of years, but while they continue, the retailers continue to receive those payments. This act continues that obligation. It's currently picked up by the Ontario Electricity Financial Corp, but that responsibility will move to the Ontario Power Authority. So that, again, is a transitional arrangement. It would end as those contracts expire.

That is an overview of the legislation. I guess we can entertain any questions that people have.

The Vice-Chair: I guess we have about 45 minutes. We'll open the floor to questions. We'll start with the opposition.

Mr O'Toole: Thank you, Chair. Are you going to handle this in a rotation and divide the time?

The Vice-Chair: OK, we'll start with the opposition first and then move to the government side.

Mr O'Toole: Yes, we'll go to the NDP next, and however that normally works.

The Vice-Chair: In our procedure, we're starting with the opposition first and then we'll move to the government side later on.

Mr O'Toole: So you'll split the time? There's 45 minutes?

The Vice-Chair: Yes, sir.

Mr O'Toole: I appreciate the briefing. I apologize for not being here on a very technical bill. I was outside listening to what the minister had to say. I should probably get a copy of what was said here this morning in terms of just an explanation.

I did have a couple of questions when I did re-enter the room. I have a couple of concerns that were on page 6. It sort of mentioned the role of the Ontario Power Authority in terms of making sure that there's supply adequacy.

Also, I have read a couple of the submissions that were sent to the clerk of the committee, and I'm referring specifically to one that's entitled, "Stability of Power Production and Huge Economic and Social Consequences of Price and Price Variation." It's by Bryan Karney and Stan Pejovic, the department of civil engineering, University of Toronto—completely non-political

observations. I'm just going to read something that I think is kind of relevant to this idea of forecasting.

I'm looking at the first paragraph, and it says, "We have found that the thinking currently displayed in Bill 100 does not properly or explicitly account for achieving and maintaining a reserve capacity...." So that's really the issue here that I have. Supply adequacy has a reserve adequacy provision, which should be a reservoir, spinning reserve, whatever. What is the standard, both in Canada and in the North American climate, for reserve capacity within this variability of demand?

Mr Jennings: They're based on North-America-wide standards, which is the North American Electric Reliability Council.

Mr O'Toole: NERC.

Mr Jennings: NERC, yes. They set them, and it's actually based on a target of one hour missed every 10 years. What that translates into depends a bit on the different systems, but somewhere between—I guess probably 18% reserve would be with ours, but you could get anywhere from 15% to 20%. We currently have a bit over 20% right now, with the return of Bruce A.

Mr O'Toole: For consumers like myself, residential-type, who are not affected directly but—we are familiar that about a year ago there was this whole idea of a blackout, and then we hear from time to time, during high-peak periods, over the 30,000-megawatt level, that there are questions about the reserve capacity. I guess it's technical for me; for you it's probably not. I can't frame the question properly. What I'm saying is, if you're saying about 30,000 megawatts is the peak availability of generation, 10% would be 3,000 megawatts; 20% or 18% is something in the order of 6,000 megawatts. That's like 25%. My problem is—

Mr Jennings: The highest summer peak we've had is 25,400 megawatts, and the winter peak is just under 25,000. So the 30,000-plus should be adequate. What that has to take into account is that there have to be planned outages for maintenance. There are forced outages, and then in terms of the water system, sometimes there's no water available. It has to take account of all those, plus some forecast uncertainty. You have to make a prevision if you have higher growth, or whatever, than you're expecting. So all those things should be encompassed by a reserve margin of 18%.

Now, a few years ago they were planning higher ones. Ontario Hydro at one time had reserve margins as high as 24%. It also depends on how interconnected you are with your neighbouring systems. You can rely on them and—

Mr O'Toole: OK. You're covering a lot here. I'm trying to kind of build a bit of a—who pays? How is that reserve, non-utilized generation capacity, both capital and operating, priced into the system? I'm sitting there with a nuclear plant, which means maybe there could be as much as 6,000 or 8,000 per 100 megawatts not being used. I'm not on line. I'm available instantly. I'm actually just not on the grid. I'm blowing smoke or blowing steam out the—

Mr Jennings: Yes. The nuclear plants would be generally operating as often as they could. So they wouldn't cycle on or off, but they would have—

Mr O'Toole: Let's say it's a fossil plant. Down in Windsor, the natural gas plant apparently hasn't even been running.

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Mr Jennings: What they would have to do is, they will be offering into the market, and when they can make money offering into the market, when they cover their operating costs and fuel costs, then they will be dispatched and they will run. They would have to make enough money during that time to pay for their availability. But when you talk about, say, 30,000 and the peak demand is 25,000, it doesn't mean there is always a certain 5,000 sitting there. Some others will be down for maintenance. So all the plants will be operating some of the time. For instance, Lennox, which is a very high-cost plant, still operates at least 5% of the time. So they have to operate and make money when they can.

Partly, the RFPs—the requests for proposals—for the 2,500 megawatts, because investors have been reluctant to invest because they're not sure whether they will be able to operate and cover their fixed costs—this provides some support in the event their fixed costs don't get covered.

Mr O'Toole: That's where the real question is: Who, as an investor, is going to bid into the system if it's a dispatchable load at a certain price? In the RFP, are they going to have to be able to complete what their price would be, given that there are planned outages and unavailability for a lot of different reasons? How are they going to get paid?

Mr Jennings: They identify what their requirements are for their fixed costs. The system will be set up so they will get those payments covered, but if they make money in the market, that will reduce those payments. As they start producing more and are running more and making more money, the support payments will be reduced over time and could effectively be eliminated. They will also have the opportunity to get out of that market if they're making money in the market.

Mr O'Toole: If I look at something like the Beck project, which I gather is really just pumping water into a reservoir at a low-demand time—is that basically what it's doing?

Mr Jennings: The new project, the tunnel, is going to bring more water to the existing generating stations, so you'll basically have more flow throughout the period.

Mr O'Toole: Are they taking advantage—there's a cost to operating the pumps to pump the water up through these tunnels, right?

Mr Jennings: This is bringing more—there are two tunnels now, and basically it's to put in another one that actually runs underneath those tunnels.

Mr O'Toole: Is there any talk about pumping some of it up in off-peak times?

Mr Jennings: There is a pump generating station there, which is already operating. That does take some of

the nighttime output and then is able to run it during the day, but it's fairly small. I think it's less than 200 megawatts.

Mr O'Toole: Isn't hydroelectric power the cheapest form of reserve?

Mr Jennings: In terms of those plants having the ability to store—basically, electricity otherwise can't really be stored.

Mr O'Toole: That's right. That's the whole point. You're either on the system or you just blowing steam or something.

Mr Jennings: Ontario has fairly limited opportunities for pump storage, because we don't have—

Mr O'Toole: Is there anything you see in all of the OPA role to try to take advantage of this pump storage or hydroelectric power?

Mr Jennings: The problem we have is that our topography isn't ideal for that. I think there are probably one or two other sites that have been looked at, but they haven't been economic.

Mr O'Toole: Are there any economics at all, in your view—my understanding is that hydrogen is basically a form of storage—in creating hydrogen in off-peak times?

Mr Jennings: Certainly that's been proposed from time to time. It depends on whether there's a large difference between the off-peak price and the on-peak price. Hydrogen, of course, needs its own distribution system. There is a lot of interest in that worldwide, but it's a major step to go from what we have now. People do talk about ultimately having a hydrogen economy, but it will probably be down the road. I think the federal government is looking at that as part of climate change initiatives. It has been suggested that you could do that in vehicles. Again, it depends if there's a very large difference between the off-peak price and the on-peak price, because basically you're using it to split water, unless you use natural gas, which is expensive too.

Mr O'Toole: I just have a couple of more little points. One is the fuel mix. Will that fuel mix or the source of generation fuel—whether it's water or other fossil fuel or nuclear or whatever—be determined by the minister in a policy? The OPA have done the RFP for the renewables, which is 300; they've done the demand management stuff, which is 2,500.

Mr Jennings: The 2,500 is also supply. It has supply and demand management. The intention of it is to treat them on an equal basis.

Mr O'Toole: It's conservation, really.

Mr Jennings: I think we were expecting we'd get a lot of gas-fired generation as well.

Mr O'Toole: But will that be set by policy with the minister and given to the OPA?

Mr Jennings: Yes. The minister has the ability, through cabinet, to make directives to the OPA. Whether it means that you would have a specific mix—percentages—or if it is, "We want so much renewables or so much conservation," it doesn't necessarily mean they'll get a whole mix given to them. But it allows the govern-

ment to provide direction on what types of sources they want to see developed.

Mr O'Toole: The other part is that I was pleased, I might say, with the LDCs' much closer relationship, in my view, with the small consumer, the under-250,000 kilowatt hour type. The issue there was that they were going to be penalized in any effort to conserve because they basically get paid on volume. How is that going to work? How do they get incented or priced? If they're going to be incented for using more, they're going to get incented. How is the consumer going to be incented? If they had interval or time-of-use meters—shouldn't the consumer be part of that incentive? If I signed at 4.3 or 5.3 or whatever the kilowatt hour rate was and I had some mechanism or matrix for determining that I could demonstrate conservation at my household—I have Internet and time-of-rate metering in my house through the LDC—I should be incented on my bill to say, "In June or August 2003 you used this. In 2004 you used this. You're down 10%. Here's the 10% cheque." That's what I want to see. The LDC is going to get it, from what I hear here.

Mr Jennings: Someone who is on an interval meter will have a direct incentive, in terms of being able to save the highest cost time if they operate based on the interval meter. In terms of the LDCs, the natural gas utilities have operated programs for several years. They've been able to earn a return on them and be compensated for the lost volumes. We would expect this legislation will allow for it. We'll expect the OEB to develop similar procedures or however they want to treat it.

Mr O'Toole: We hear about—I'm going to say it—blended price.

The Vice-Chair: Sorry, Mr O'Toole, your time has expired. Mr Hampton.

Mr Hampton: I have some questions that I hope you can clarify for me, because I think they will have a lot to do with determining price. The minister talked a lot about the heritage assets. Their price would be regulated. I assume what he is saying is that they would be regulated in terms of either no profit or a minimal profit, and that that regulated price would be used to somehow bring down or balance the unregulated price or the contracted private power prices.

Can you tell me, is Bruce Power part of the heritage assets or is it going to play the market?

Mr Jennings: The regulation will deal with Ontario Power Generation assets. That will be Darlington, Pickering and the baseload hydro, which is principally the Niagara and Saunders plants.

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Mr Hampton: But Bruce Power is baseload power. It's clearly baseload power. If it's not baseload power, I don't know what is.

Mr Jennings: Well, the legislation is going to provide for regulating some of the OPG assets, and Bruce Power has a contract and leasing arrangement.

Mr Hampton: So what I hear you saying clearly and categorically is, the electricity that is produced by Bruce

Power will not be regulated; they will in effect be completely allowed to play the market.

Mr Jennings: There will have to be, whether there's some sort of contract arrangement with them—there are other things that could be done to enable—

Mr Hampton: They can contract for a fixed price over time, or they could play the market.

Mr Jennings: Yes, but the regulations—

Mr Hampton: But they will not be regulated in the same way that the OPG assets are.

Mr Jennings: That's correct.

Mr Hampton: Wow. That means a big chunk of our existing capacity is not going to be a heritage asset used to bring down the price for consumers. In fact, it could very well result in very high fixed-price contracts or very high spot market prices.

Mr Jennings: Yes. Bruce Power will have options, and they may choose—if they're not going to be, the regulation applies to OPG.

Mr Hampton: So when we talk about the heritage assets, we're talking about Darlington, Pickering and the hydroelectric plants. I think what he said today is that we're definitely not talking about the coal plants. Coal plants are out of the equation.

Mr Jennings: Yes. In terms of hydroelectric against the baseload ones—we were principally talking about the Niagara and the Saunders plant on the St Lawrence.

Mr Hampton: So the other hydroelectricity plants that are not baseload would not be regulated in price?

Mr Jennings: They're going to be getting the market price.

Mr Hampton: So the OPG hydro plants that are not baseload will be getting whatever the spot market price is?

Mr Jennings: Yes.

Mr Hampton: Your heritage assets that are regulated in terms of price are getting pretty slim here, because the other big chunk of the heritage assets that was supposed to be used to bring the price down for consumers would be the nuclear plants.

Mr Jennings: Yes.

Mr Hampton: But over the last year, I've been treated to stories that the restoration of Pickering was supposed to cost \$800 million. Now it's going to cost in excess of \$2 billion. A reasonable person who's been watching this might predict in excess of \$3 billion. So that nuclear power, in effect, is going to be pretty expensive, isn't it? Even the heritage nuclear power's going to be pretty expensive power when you calculate all these costs into the equation.

Mr Jennings: The regulation will be based on the cost, yes. In terms of what is covered and what isn't, you have the OPG, as I say, the nuclear baseload; similarly, the NUG contracts won't be getting the market price. They're on a contract base.

Mr Hampton: They'll be getting a fixed price, but they're not heritage assets.

Mr Jennings: No. So if you take those two things together—

Mr Hampton: And those fixed prices have been already negotiated, with adjustment factors, etc.

Mr Jennings: Yes.

Mr Hampton: OK. I'll just leave that aside for a minute.

Mr Jennings: The total of those together is approximately 50% of the—

Mr Hampton: What I want to get clear from you is, what is a heritage asset, what will be subject to a regulated price, and what will be included in that regulated price? Let's take Darlington. Darlington was supposed to, when it was first built, I think, cost \$4.7 billion. When construction was completed in 1990, it had cost \$15 billion. So that must be very expensive power.

Mr Jennings: The legislation provides regulation-making authority with regard to these assets. There is also an undertaking that we'll be consulting on the regulations. So some of the regulations, including that one, we would expect to put out to consultation in the next week.

Mr Hampton: So you can't tell the consumers of Ontario how the eventual cost of nuclear power from the Pickering plants and the Darlington plant will be determined.

Mr Jennings: As the regulations that will come out are developed, we have an undertaking that we will be consulting on the regulations.

Mr Hampton: Can I just ask you a couple of other questions about pricing? Let's take the Bruce contract. As I understand the Bruce lease contract, the public of Ontario, through whatever mechanism—the electricity financing corporation—continues to carry the debt of the building of the plant. The public of Ontario—and I'm not sure, again, the mechanism that will do this, but maybe you can help enlighten me—will continue to carry the liability, should there be a nuclear accident. I would think that in insurance terms, if you're an insurance person, that would be fairly hefty. The public of Ontario will carry the cost of eventually decommissioning that plant when it comes to the end of its useful life. The public of Ontario continues to carry the cost of, shall we say, burying the nuclear waste, since I think that's the current concept, to bury the nuclear waste. Yet the private company gets the profit.

Now, if I were just an ordinary person out there, I'd say, "Boy, that's a pretty good deal." All of the high costs, the liabilities, the debt obligations—the vast majority of them—are essentially unloaded on to the public, but the profit-driven company gets to keep the profit.

Mr Jennings: Yes. The lease payments that were negotiated were set to cover those liabilities that you mentioned, for the most part.

Mr Hampton: We can argue about that.

Mr Jennings: Yes, there's obviously debate about what those costs in total are, but—

Mr Hampton: As I understand it, Bruce Power, should there be a nuclear accident, is only responsible for—is it the first \$75 million?

Mr Jennings: That's the case for any nuclear plant operator.

Mr Hampton: Private.

Mr Jennings: Federal legislation.

Mr Hampton: Private. Any private operator.

Mr Jennings: Anyway, that's federal legislation. I wouldn't be able to—

Mr McCann: I think the federal legislation applies to both public and private, but we should check that point and clarify it for you.

Mr Hampton: In a public world, the public covers the first \$75 million in this category and covers the rest under some other category. The public's still on the hook, right? That's just a difference in classification.

Mr McCann: That's a fair point, but—

Mr Hampton: But my point is this: As I understand it, you're going to be in charge of energy supply and competition. If I'm a private operator out there, I'm a capitalist.

Mr O'Toole: Not possible.

Mr Hampton: Watching the way you guys flipped and flopped on the hydro file, anything's possible.

Why would I want to build electricity capacity for Ontario for any deal less than what Bruce Power got? Why would I want to bid into a system where I get less of a sweetheart deal than Bruce Power got?

Mr Jennings: I think what we're talking about, for instance the RFP—they're not a comparable situation, because Bruce was existing capacity that someone is taking and managing. It has existing liabilities. In terms of any negotiation on that—

Mr Hampton: Yes, but most of those liabilities are being taken care of by the public.

Mr Jennings: The lease payments are supposed to cover those costs. They were set on that basis.

Mr Hampton: The Provincial Auditor said that the province is losing on the deal, and I think he was being generous. He said the people of Ontario are losing on the deal, that it was such a sweetheart deal.

Mr Jennings: I don't know whether the Provincial Auditor commented on what costs were covered or not. I think there was a comparison between net present value and a couple of bases. Also, the consideration at the time was that there was a direction to decontrol assets. So there were other things like that. Those were both things he commented on.

I was saying that whatever arrangements are done about an existing plant and an existing lease are different from someone coming in and building a greenfield site. They would obviously be totally different discussions.

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Mr Hampton: I don't understand why it would be different. If I'm going to enter into a market—and that's clearly what the minister said. He said that virtually all of the new power which is going to be provided in Ontario will be provided by private, profit-driven companies. Why would I want to enter into a market when I can see this plant that has a capacity to produce huge amounts of power, and even the Provincial Auditor of Ontario says,

"Boy, they've got a really good deal." Why wouldn't I want the same deal?

Mr Jennings: One is a lease arrangement on a nuclear plant. I don't think the deal would be the same. Obviously they would take into account who's in the market and what opportunities there were in looking for their deal, but it's not going to be exactly the same.

Mr Hampton: I don't see what the difference would be. At the end of the day, I'm going to be disadvantaged if somebody else is getting a much better deal than I am. If costs escalate and prices become tight, I'm going to get squeezed before they get squeezed. Why would I want to bid into something like that? I might get squeezed severely before they get squeezed.

Mr Jennings: The process that has been set up initially is a 2,500-megawatt request for proposals. So we're going to have competitive proposals and people will be offering in what they think they need. They'll obviously have to take into account what they see as the risks and benefits from being in the market.

Mr Hampton: Maybe you can just answer another question on price for me. It's rather interesting. I know the minister went out to Calgary and gave a speech saying to the folks in Alberta, "Come on down to Ontario because it's going to be a private, profit-driven market now." And he referred earlier to some new supply that has come on stream in Ontario. As I understand it, the new supply is TransAlta's new \$500-million cogeneration plant in Ontario. But they're not operating it at capacity. They say publicly to the press that the reason they're not operating at capacity is because they're not getting a high enough price yet and that the minister has to let the price go up. In fact, I think they even said it has to go up significantly higher before they'll operate that plant at capacity.

Mr Jennings: Some of their capacity is under contract to some of the customers in the area and steam—

Mr Hampton: Some goes to the States too, doesn't it?

Mr Jennings: I know that they have long-term contracts with some of the other people in the Sarnia valley. So there's some of that, but the operation of the other capacity will depend on whether they'll be offering in to cover their costs. If they don't get taken and if the price isn't high enough, they won't be running.

Mr Hampton: But what they said is, TransAlta is running at only one quarter of its 575-megawatt capacity because it's not worthwhile for the company to produce more power in the capped spot market. In other words, they want a higher price before they're going to provide power.

Mr Jennings: Whether or not they operate from time to time will also depend on natural gas prices and how those move relative to other prices.

Mr Hampton: That doesn't change what they're saying. They want a much higher price. Isn't that right?

Mr Jennings: Are you asking me whether I think they would want a higher price?

Mr Hampton: Yes.

Mr Jennings: I think if any private company who is generating had a higher price, they would probably benefit from that.

Mr Hampton: What I'm trying to get at here is—you're the technical person who ought to know this, right? The non-baseload hydro plants are going to be able to play the market. Bruce is going to play the market. TransAlta is clearly saying they want to play the market, they want a higher market price. We already know that in terms of being part of the heritage assets, the nuclear plants—Darlington and Pickering—if you factor in all of their costs—debt costs, maintenance costs, refurbishment costs—that's going to be very expensive power. There isn't going to be much left to bring down the price of all of this expensive new private power, is there?

Ms Kathleen O. Wynne (Don Valley West): Mr Chair, I just want to be clear. Is this a technical question about Bill 100, or is this a political question about the future of pricing in the province? I'm just not clear what the technical question is here, or whether it's a question that should be asked of the minister.

Mr Hampton: It's about slide 7.

Ms Wynne: OK. I guess I just need to be clear what the technical question is.

The Vice-Chair: Anyway, the time is up, Mr Hampton.

Mr Jennings, it's up to you if you want to answer the question or not.

Mr Jennings: Just that the extent to which the OPG-regulated assets modify the market price will depend on what the market price is. There's obviously a range of outlooks of what that will be, but obviously it will moderate very high prices. We've had fairly moderate prices the last year. So it will depend on what the outlook for the price is.

Mr Hampton: The market price.

Mr Jennings: Yes.

The Vice-Chair: Now the government side, if anybody has a question.

Mr McMeekin: [Inaudible] and I'm curious around how decisions are made. We've heard a fair bit about the lack of planning, the need for stability and the culture of conservation. As we came in today, we were greeted by some folks who had an interesting perspective on the nuclear industry in particular. Then we are inundated with some briefs from some other alternative energy folks. I guess I should confess straight up that I'm a big believer in some of the alternative energy approaches, although I'm not necessarily a disbeliever in the nuclear side.

My question relates to the decision-making process itself or how recommendations end up coming before us. I know Mr O'Toole sat on a review of the nuclear industry. He wanted to talk about the cult of the nuclear industry and some other unkind references. The 1997 report talked about performance being unsatisfactory for well over a decade, the cost to bring plants back on-line exceeding three times the estimate and some other issues.

In terms of getting a handle on this and ultimately making some decisions—I know the bill isn't designed specifically to answer political questions, but by way of a general query, what kind of cost-benefit analysis is done with respect to making decisions, say, to reopen one of the Pickering plants? You hear arguments all the time about how many windmills \$2.3 billion would have bought, how many lives could be saved by not emitting cancerous smoke from coal-burning plants. In terms of the health costs and some of the other things the minister mentioned and the overall cost-benefit, is there an analysis of that, or is that part of the problem, that that analysis historically hasn't really been done? Does the structure itself address the need to do that kind of planning? I don't know who is going to answer that.

Mr Jennings: I guess I could say in terms of the Pickering decision, the return decision was based on a lot of analysis that was done by Ontario Power Generation, analysis that was done for the Manley panel and that was done, in part, through CIBC World Markets. So there was a range of sources that were used to develop that. There was an independent recommendation from the Manley panel to proceed with it. There was further oversight by OPG. The government was involved in some of the processes of the development. So that finally led to that. What that included was looking at alternative sources of generation and how the return to service compared to that. Certainly that was looked at extensively.

In terms of the question of broader cost and benefit analysis, I think you mentioned the Ontario Medical Association; they have their study.

Mr McMeekin: The 1,900 figure.

Mr Jennings: Yes. There have been people who have done other studies related to that. So there has been some work done in that area.

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Ms Lawrence: If I may, what would happen under the bill is that that debate would move into an open, public forum. So in addition to our expectation that the integrated system plan would do cost-benefit among all the various alternatives available to it, by virtue of having the energy board review the plan, that analysis can be debated in an open forum. It's an opportunity for organizations like the Ontario Medical Association to come forward and have their views tabled on the public record and considered as part of the OEB's review process.

Mr McMeekin: The legislation—and I think we were on this earlier, given the minister's comments—is foundational in the sense that it's opening up some additional transparency avenues to invite the residents of Ontario to be engaged in that kind of discussion.

Ms Lawrence: In addition to actually mandating that the plan exists, yes. It will be a very participatory process before the board.

Mr McMeekin: I'm sure we'll be pursuing that as we get more into things, but maybe a supplementary: There are references in the legislation to the application for approval to the OEB as it's restructured. I'm wonder-

ing—and maybe it's the same answer—why does the OPA have to apply for approval of its proposed procurement processes and amendments? Is it the same general thrust there, the transparency argument?

Ms Lawrence: Yes. The OEB is a natural forum for discussion and participation in that event. Certainly the procurement process is something that people are going to want to comment on, both from the perspective of where it's likely to land you in price terms at the end of the day, but also to ensure that it's fair, open and transparent and gives due regard for market-based solutions to come forward as well.

Mr McMeekin: Can you just run us through what that review might consist of? How is that going to take shape? How do people express their concerns?

Ms Lawrence: What I expect is that the OPA would develop both process terms and conditions, which would be akin to guidelines that Management Board has in place for government ministries and agencies, but clearly steps to follow in terms of ensuring the fairness of the process. In addition, I expect they would put together a draft contract that the OEB could review and discuss with the public and debate certain terms and conditions. Again, that would be a formal process and invitation for the public to participate.

Mr McMeekin: I've always been a believer that you don't let excellence become the enemy of the good. Clearly this isn't the end of where we're heading; it's the start of something. Would that be fair? And in that context, the OPA, the OEB and the IO or whatever it is now—

Ms Lawrence: The ISO.

Mr McMeekin: It all gets renamed and even those who are close to it and try to follow it have some difficulty with it, but those processes, those mechanisms, are going to be evolving, and there's a commitment on behalf of the ministry to ensure that they are shared with the public so we don't have—I noticed the minister made reference to regulations being made available before they're gazetted, which I guess is at least in part a passing reference—

Ms Lawrence: The government is able, under this bill, to issue regulations to be followed by the power authority with respect to the way they go about developing either their procurement process or their plan—principles that underpin and govern those planning mechanisms. There is certainly the commitment this summer to share those regulations with stakeholders and others, and we are working on those back at the ministry as well. But save for those regulations, I think we would expect that the board would run a process independent of the minister and the ministry and provide a level playing field, in terms of customer and other interested parties, to access.

Mr McMeekin: I appreciate that, and I also appreciate the fine line that our wonderful public servants must walk between what is a political decision and what is a technical briefing. I know we've crossed the line several times, and I've probably been as guilty of it as anybody

here, but I want to provide assurance that it's not in any way meant as a criticism aimed anywhere. The generic concern that people I speak to out and about have is—who was it who said that politicians campaign in poetry but govern in prose? The suggestion has been made on more than one occasion that we need to close the gap between the poetry and the prose. You guys are the pros, I guess, in the professional sense.

Ms Lawrence: Some would say turgid pros.

Mr McMeekin: We need to be about that. I think the culture of transparency is equally important as any other culture of conservation. In fact, I think we on this side of the House would argue that only by having the two in sync do we think we'll get this right. The people of Ontario want to know that we're able to cross the line and work together to get it right.

The Vice-Chair: Before you said that, I know I have full confidence in the ministry staff to walk the professional way between the politicians and the technical part.

Now we'll open questions from Ms Wynne.

Ms Wynne: I need some clarification on section 39, which adds section 29.1 to the Electricity Act. The explanatory note talks about that section requiring the distributor, the LDC, to provide electricity to any purchaser, whether they're getting a portion of their electricity from a retailer or not. This is included in the conservation measures section. Can you just clarify for us, first of all, how it could work and give us an example, and then in what way it's a conservation measure?

Ms Lawrence: Section 29 of the original act is about the distributors' obligation to provide default supply and serve customers who don't have a retailer. The way the act is structured currently, it's an all-or-nothing decision for low-volume consumers. You're either a default supply customer or you opt out with a retailer, which makes you ineligible for the interim pricing plan that's currently in place.

What this enables is the retention of that eligibility and that entitlement even if you would like to buy a portion of your power, some of your power, from green sources. You could opt in with a retailer, for example, and say, "I would like 10% of my needs met from your windmill contract, but I will retain 90% of my consumption benefit at 4.7 and 5.5." It was just a little legal glitch that made it all or nothing.

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Ms Wynne: The billing process, though, isn't laid out in the bill.

Ms Lawrence: In this act? No.

Ms Wynne: There's nothing about how that—because that's going to be a complication.

Ms Lawrence: I think the local distributors certainly have flagged to us that it's difficult from a systems perspective.

Ms Wynne: How are we going to deal with it? Will that be dealt with in regulation, or where are we going to—

Ms Lawrence: We would deal with that in regulation, and we have the ability to do that. It's not a regulation

that is a short-term one in terms of those that have been identified as priorities to share with stakeholders, but we would certainly have the same commitment to work with stakeholders in developing those, yes.

The Vice-Chair: Time's up. We can open the floor to the opposition critics for their presentations. We have 15 minutes for the Conservative Party and 15 minutes for the NDP.

Mr O'Toole: For the record, I appreciate the opportunity on a very complex topic. As the opposition energy critic, I preface most of my comments by saying that I see energy, as has been stated in the research paper that was given to us by staff from the clerk's office—and I appreciate that—as an economic policy area, very strongly. It's also a very unique product in terms of the consumer. It's price-inelastic, in simple economic terms. They have to have it regardless of the price. They have to have a certain level just to live a quality of life. So in that respect, on the residential side, it's not really an economic issue other than they are price takers at the moment.

In anything that I've heard and watched quite closely for the last few years, there are supply adequacy questions that have been raised by all the experts. It's not unique to Ontario; it's unique across North America, you might say. As such, very much as an elected person, I need to make sure that we will be focusing primarily on the perspective of the price taker, the residential side of the marketplace. I think of people living in apartments, where they don't have individual meters and things like that, where they're going to be subject to a whole litany of trying to just keep the lights on and cook their food and maintain a quality of life in a marketplace where there's going to be a lot of upward pressure on price.

Irrespective of what the minister said today, I think if you take 25% to 30% of the generation capacity off-line, with no plan for equivalent prices—there are plans at higher prices, natural gas being one of them and renewables being another—they're important considerations. When you cast that against the broader statements of the emissions from coal and other fossil plants and not consider what other jurisdictions are looking at as part of the solution, the clean coal option certainly should be fully debated without having the immediate response that, "Coal is bad." In today's climate that's what's out there: "It's bad and it shouldn't exist." I put to myself that all generation, whatever the fuel source or power source, could be argued is bad, whether it's hydroelectric, or you flood land or flood areas for reservoirs, or natural gas or any other high-technology fuel source. Incineration: Dare I even use the word? Yet other jurisdictions are exploring these technology solutions. I hope there's openness on the part of the ministry to look at getting as clean a technology as possible and as least expensive for the consumer at the end of the day.

In Bill 100, there seems to be an attempt here in the broader sense to offload the responsibilities I've just outlined—public policy discussion, the role of government to intervene. They're going to gut the power author-

ity, the energy board and this new replacement agency for the IMO. Some of them are the same people. It's understandable. I'm quite impressed actually with the work done by the IMO to date. I've had many occasions to call Dave Goulding and the staff on clarification of issues. I find them extremely responsive. I've read with interest their forecasting models. I've even read some of the issues with respect to their accuracy in some of their supply arguments.

It's another layer of bureaucracy, all of which is going to be paid on the bill, at the end of the day. If it isn't, even incentives, capital incentives, depreciation allowances, all these financial considerations are going to be paid by the taxpayer.

The only thing I see here is uncertainty on the supply side. It's exciting, because there may be some new renewable forms of energy that do come into the marketplace. That looks exciting. Wind—I'm a big supporter of the renewable forms—biomass. I did serve on the task force with Jerry Richmond, who did a fine paper that should be read by members of the committee here.

That being said, there isn't a lot of room for some of that discussion, like biomass, incineration. There needs to be more acceptance of that debate as part of these hearings, I believe.

Some of the current forms of technology have been mentioned by Mr McMeekin. During the 1997 hearings of the nuclear energy task force, we did look at the honesty of pricing in that field, and felt that the capital depreciation, decommissioning, fuel issues were all rather vague. How did they factor into their three-cent power? I never felt it was three-cent power. You look at some of the implications of shortening the life expectancy from 40 years to 20 years, and what does that do to the capital cost if you're not any longer able to generate revenue for 20 years to pay for the capital?

So I see it as extremely important. As an elected person, I don't come to this with a great deal of expertise other than I live in a riding that, as the minister said, probably supplies about 25% of the nuclear generating capacity in Ontario, called heritage assets. I do hear from a lot of experts in my riding, people who have worked for the old Ontario Hydro. I hear from people who work as operators, and again, consumers and small business.

I also have a lot of respect for the local distribution companies, the LDCs. I think their voice needs to be heard. They're a direct interface with the consumer, especially the small residential consumer.

I think some of the tools in Bill 100 are positive. I think they will be given some tools to incent conservation, right in their interface with the consumer. I've also had the privilege of meeting some academics and other people who have asked some technical questions that I think, during the course of the hearings, will be raised by myself and others.

I don't really have anything to say except that this government, in our attempt to find adequacy and stability of price, whether it was Bill 35 or Bill 210, some of the legislation in many cases was voted on by the now

government. They supported it, and yet they backed away.

I heard the minister say nothing about future prices except that all signals are higher. I don't say that to be an alarmist or to create uncertainty, but he did in his early remarks say that all jurisdictions—all we have to do is look at the price of gasoline and its volatility, the highest price of crude in history. At almost \$45 a barrel, it's got to tell you something. It's all sort of energy at some point. It's electrons.

I don't have anything too profound to say. I'll share with my counterpart Ted, if he has anything to say. I'm happy to share the time and use the time that we're provided.

Mr Ted Arnott (Waterloo-Wellington): How much time do we have available, Mr Chairman?

The Vice-Chair: Five minutes.

Mr Arnott: OK. Thank you very much, Mr O'Toole, for the opportunity to speak.

I too look forward to these hearings on Bill 100. I'm thinking back to my first opportunity where I had to deal with a hydro bill, back in around 1991, I guess it was, when the old resources development committee was dealing with Bill 118. I'm sure the staff who are here from the Ministry of Energy will recall those days; some of them will, anyway. I served at that time with the Liberal energy critic, who was one Dalton McGuinty. That was when I first got to know the Premier.

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Mr McMeekin: A fine fellow.

Mr Arnott: Yes. He did an excellent job representing the Liberals' perspective. Certainly our critic at that time, Leo Jordan, did a similarly superlative job representing the views of the opposition parties in those days.

For my part, certainly my constituents in Waterloo-Wellington are very seriously interested in this issue and I think they're quite well aware that this is one of the most important long-term challenges the provincial government faces, one of the most serious responsibilities that we have to deal with. My constituents would expect the government to ensure that there is a reliable source of electricity but obviously they are concerned about price and stability of the price. They're also concerned about the environmental impacts of our generation and transmission of electricity and the safety of the system. Today, when we meet on the one-year anniversary of the blackout, I think we're reminded of the importance of the security and stability of our system.

I appreciated the minister's comments, although I was disappointed that the minister didn't furnish each of the members of the committee a copy of his remarks. We're going to have to wait, I guess, till the lunch hour. Normally it's the custom of these committees that the minister, when he comes in, gives us an opportunity to have in front of us a copy of the remarks so that we can be better acquainted with his commitments and his statements. Certainly we will be holding him accountable over the course of these hearings with respect to the commitments and statements he has made today and in past opportunities and communications.

I'm very interested in the government's commitment to phase out coal-fired generation by 2007. That was discussed during the election campaign and certainly a firm commitment was made on the part of the government. I haven't heard anybody say they'll resign if the government doesn't meet that commitment. Perhaps that's forthcoming. At the same time, I think we need to be responsible in terms of our administration of the hydro assets. Sure, we'd all like to see the phase-out of the coal-fired generating capacity in plants as soon as possible because we're all concerned about air pollution. But at the same time, I think it's responsible and people would expect that those coal-fired generation facilities not be phased out until replacement generation capacity is in place. Again, I don't believe the minister has said that. He's certainly prepared to continue to parrot the line that his leader brought forward during the election campaign that this is going to be done no matter what. But certainly from my perspective, if indeed replacement generation capacity isn't built as the coal-fired generators are taken off-line, we may very well see a tremendous spike in price in terms of the wholesale market of electricity. That's something that I think the government has to come clean on.

I would hope that the government will be prepared to listen to the presentations that are going to be made over the next few weeks and that we'll have a commitment on the part of the government to make amendments reflecting the concerns that are expressed. Certainly the public hearings process is an important one and hopefully it's not just a sham but it's going to be a meaningful process whereby the interested groups—they're all lined up and there are obviously a considerable number of groups that have an interest in this issue, expert opinion that will be brought forward to the committee's attention. I would hope and expect that the government will be prepared to listen and respond accordingly.

For my part, as a member of the opposition, I would hope that we can play a constructive role and I'm looking forward to working with Mr O'Toole and Mr Hampton, and whoever else in the New Democrats, to bring forward what we would consider to be constructive suggestions for the government, not just opposing for the sake of opposition.

That probably takes up the whole five minutes. I want to thank you very much, Mr Chairman, for the opportunity to comment on the bill.

The Vice-Chair: Thank you very much. I guess Mr Hampton has 15 minutes. He'll show up in a minute or so. I guess we're going to call it off until—

Mr McMeekin: Just while we're waiting for him to arrive—he's probably en route now—I just want to say I really appreciate the comments made here. The minister has said to members of this committee on the government side—and Ms Cansfield, his parliamentary assistant, can attest to this—that not only are we prepared to listen and learn—that's something we hold up as a hallmark of this new government—but the minister is quite open to making responsible amendments that are in keeping with what makes sense.

While I'm doing Mr Hampton a favour ragging the puck for him while he arrives—because I'm waiting in breathless anticipation to hear his comments—I just wanted to say for the record that the minister is keen to have the standing committee listen—Ms Cansfield, I think you can attest to that—and that we look forward to seeing a plethora of very helpful amendments to this legislation.

The Vice-Chair: Thank you, Mr McMeekin. Mr Hampton, you have 15 minutes to criticize the bill, if you want—

Mr McMeekin: Or compliment it.

The Vice-Chair: —or compliment it.

Mr Hampton: I understand that we're breaking at 1 o'clock. Is that correct?

The Vice-Chair: We're breaking at 1 o'clock, correct.

Mr Hampton: That's in about 12 minutes or so.

Today was interesting, more interesting for what was left out, I think, than what was actually said. I have to comment on the contradictions. I remember before and during the election campaign that Liberals said they were going to be different from the Conservatives. I even remember the now Premier saying that the spot market didn't work. In fact, he said, "The market is dead," and that privatization didn't work. Yet here we are, almost a year into the Liberal government, and we have an electricity bill and related policies that will result in a substantial role for the volatile spot market, the very deregulated market that Liberals said didn't work.

What I got from the technical briefing is very interesting. Even the vast majority of OPG's hydro stations are effectively going to play the spot market. They're not going to be regulated in price. Bruce Power, which was built with public money—and in fact the public is still carrying most of the debt from Bruce Power—will effectively be playing the market in one way or another. They can play it through fixed contracts or they can play the spot market.

Despite all the announcements, re-announcements and rhetoric, I have to say to my Conservative colleagues on the committee, I think you got what you wanted. This is essentially going to be a private, profit-driven hydro market, just as Mike Harris, Ernie Eves, Jim Wilson, Chris Stockwell and John Baird all advocated. Let me say, I congratulate you. We get the Conservative policy from a Liberal government.

What does this mean for consumers? I think what we got from the technical briefing is—the minister tries to say that the heritage assets will be used to, shall we say, cushion the higher prices of the private, profit-driven providers. But then when you ask the detailed questions—what are the heritage assets?—the only hydro-electric plants, falling water plants, that will have their price regulated, ie will be used to buffer the higher prices of the private market, I guess will be Saunders on the St Lawrence River, the Niagara plants and maybe a couple of others. We'll get down to the nitty-gritty on that, because it looks like they're the only baseload plants. Everything else will play the market.

As for using the nuclear plants to buffer the higher prices of the private market, the only way you're going to do that is if you engage in the game of hiding the true cost of nuclear. That is, you ignore the fact that Darlington didn't cost \$4.7 billion to build; it cost \$15 billion. You ignore the fact that Pickering is not going to cost \$800 million to refurbish; it's likely going to cost \$3 billion to refurbish.

What comes out of this, when you ask the difficult questions, is this is going to be overwhelmingly a private, profit-driven hydroelectricity system. That means much, much higher prices for Ontario industries, businesses and consumers.

I found it interesting that the minister actually mentioned the pulp and paper industry, because I'm told that at least some members of the pulp and paper industry had a meeting with the Premier not too long ago where they said to the Premier, "Here's the cost of hydro-electricity in Quebec, here's the cost of electricity in Manitoba, and as we look at where you're headed in terms of a private, profit-driven market, this is where the price of electricity is going in Ontario." They basically said that you won't find many pulp and paper mills in Ontario if this happens. They cannot sustain much higher prices.

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Rates will go up to pay for profit. Rates will go up to pay for the much higher borrowing costs of private, profit-driven suppliers. If you're going to build a \$1-billion plant—it doesn't matter if it's a \$1-billion natural gas plant or a \$1-billion hydro plant—it will cost the private sector more money, because the private sector cannot get the same low borrowing rates that the government can. In the current market conditions, the government might be able to get 5%. The private sector will probably pay closer to 7%. Just off the top of my head, I'd say the difference between a 5% interest rate and a 7% interest rate on \$1 billion borrowed and paid over 25 years is probably \$200 million. That's \$200 million more that the consumer will have to pay for that private supplier on top of the 15% profit the private supplier will demand and on top of the Eleanor Clitheroe-style salaries. And Eleanor Clitheroe wasn't the only one over there at Hydro One who wanted the big-dog, Bay Street salaries.

I think the government should just be honest. Tell the people of Ontario that despite the Ontario Power Authority—and you're going to rename this and rename that—this really is what the Conservatives proposed: private, profit-driven hydroelectricity. I think you should be honest with people and tell them that this is going to cost them a lot more. It's going to cost industries like the steel industry, the mining industry, the pulp and paper industry and the auto assembly industry a lot more. It's going to cost small businesses a lot more. It's going to cost the average homeowner or renter a lot more.

I found the minister's answer on the rate cap interesting. He tried to say, "Once we became government, we became aware of the financial situation." My God,

every month while the rate cap was in place the Globe and Mail, the Star, the Sun and the Canadian Press would bring out stories saying, "This is the difference between the so-called market price of electricity and the rate cap, and this is how much it now costs Ontario."

We knew at this time last year that the rate cap was costing about \$800 million. We knew during the election campaign that the net cost of it was \$1 billion. What changed? You knew then that it was costing \$1 billion a year, more or less, in subsidy to keep the rate cap in place, yet you were in favour of it. May I suggest what changed? Your rate cap promise was like many of your other promises: trolling for votes. Once the election was over, it was gone. I call that a broken promise. Some would call it something more serious than a broken promise.

I found the minister's attempt at the coal plants interesting. In your qualifications for those bidders who are answering the request for proposals for the new 2,500 megawatts of replacement power, it says on page 4 that you will accept bids that have the new plants starting up in June 2009. I don't know how you'll shut down coal plants by the end of 2007 when you can only require the new providers to bring their power on stream in June 2009.

Mr McMeekin: The minister answered that. Remember the window?

Mr Hampton: Yes. These will be legally binding contracts. In other words, you can't do anything if they say, "We're not going to bring it on-line until June 2009." You can't force them to bring it on-line in the fall of 2007. It says to me that's another promise broken. Coal-fired plants aren't going to be shut down by the end of 2007, and your document basically admits that. That's only the first 2,500 megawatts. There are another 5,000 megawatts. What will the on-line time for those be: 2011, 2015?

This sounds an awful lot like what the Conservatives were offering. They said coal plants will be phased out by 2015. You guys should take another bow. The Liberals have adopted your policy again.

Then there's the issue of what happens to low- and modest-income people. Let's be clear: Hydroelectricity is not like having a car. If Ford, General Motors, Chrysler, Honda and Toyota all raised the price of cars by 30% next week, we'd still have choices: I could keep my old car and fix it up, I could buy a second-hand car, we could carpool, maybe I could ride a bike. I'd still have choices. But if the price of electricity goes up by 20% or 30%, you don't have any other choice; you have to use it every day. We all have to use it. But what happens to people who are on low and fixed incomes?

Well, with much fanfare, the government announced an assistance plan last spring. But the details of that assistance plan now show that for about every \$20 that the hydro bill goes up, low- and modest-income people will get one dollar of assistance. For somebody who's on social assistance, somebody who has to rely on Ontario disability support, somebody who is on a pension,

somebody who is just struggling, working two or three minimum-wage jobs, this obviously isn't much assistance at all.

Then, as I found out last spring—and the situation hasn't changed—some of the poorest people in Ontario aren't eligible for that assistance. Aboriginal people living on an Indian reserve aren't eligible for the assistance program at all. What does that assistance program amount to for lower- and modest-income people who are now obviously going to be hit by very high prices? I don't think it provides any assistance at all. I think we're going to continue to see serious disconnection of people because they can't pay their hydro bills. We have a cold winter. I don't know what that means for people. We have a very hot summer. We've been lucky this year. Most people I talk to in Toronto say this has been an awful summer.

Mr O'Toole: You call this lucky?

Mr Hampton: Ernie Eves would have prayed for this luck.

Given climate change and the fact that the weather is increasingly unpredictable, I don't know what happens in a severe winter or in a very hot summer.

When you strip away the rhetoric about the IMO is going to have a name change and you're going to create the OPA and the OEB is going to get a shuffle, this looks virtually identical to the Conservatives' profit-driven private hydro scheme. I think TransAlta are the people who are really being honest here, and the minister had to deal with the TransAlta question when he went out to speak to the private investors in Calgary. TransAlta simply said, "We've got a \$500-million cogeneration plant in Sarnia, but we're only running it at one quarter of its 575-megawatt capacity because it's not worthwhile for our company to produce more power in the capped spot market." In other words, they'll only produce more power if the price goes up significantly.

I don't know why the government doesn't just admit what I think is the reality: Your plan for hydroelectricity in this province is essentially the same as the Conservatives' plan for hydroelectricity in this province. They were going to privatize hydro through the front door; you're going to privatize it through the side door. You're going to try to pretend that it's not happening. But I heard the minister say very clearly today that virtually all new hydroelectricity provision in this province will be private, profit-driven hydroelectricity.

I just want to say a few words about conservation. We've had some very interesting people come forward and talk about conservation, and I think the Pembina Institute probably provided some of the best literature in terms of actually going out and doing studies and reviewing what's going on. The Pembina Institute shows us that, once again, what this government is talking about in terms of energy conservation and energy efficiency is really quite token. In terms of household consumers and apartment consumers, the government wants to play up—

The Vice-Chair: Mr Hampton, your time is up.

Mr Hampton: Just give me two more seconds to finish. The government wants to talk about off-peak and

using the new meters to shift off-peak. I just want to point out that a review of California's conservation efforts shows that using the new, much-ballyhooed meters really only succeeded in load-shifting of 31 megawatts, compared to the 500 megawatts initially planned. In other words, it wasn't much of a success. If that's your real strategy in terms of conservation and energy efficiency for homeowners and apartment dwellers, I suggest you learn from the experience of California. Your plan is pretty modest at best.

The Vice-Chair: I want to thank the ministry staff, the members of the committee, the clerks and the audience for their co-operation.

Mr O'Toole: Mr Chair, before the staff leaves, there's a question I should have asked. It will take one minute.

The Vice-Chair: OK.

Mr O'Toole: Bill 35 has been mentioned here indirectly and through Howard's remarks. Initially it said that in 10 years the heritage assets would be divested down to 35% of generating capacity. What does this bill do to that statement?

Mr Jennings: The specific requirement, which was actually in a ministerial directive to Ontario Power Generation, was that over 10 years they had to divest all of their total generation until they had only 35% of the supply in Ontario.

Mr O'Toole: What does this bill do?

Mr Jennings: That isn't in legislation; it's a directive from the ministry. So if that was to be altered, it would be outside of the bill.

Mr O'Toole: That ties into Mr Hampton's question earlier about heritage assets and non-assets.

Mr Jennings: Well, it was all the generation. It was OPG's overall market share. But in a sense, this is saying to reduce their incentive for using their market power to keep the price up, you actually regulate some of it, so they don't benefit from a high market price.

The Vice-Chair: We'll break from 1 o'clock to 2 pm. We'll be back in the same room.

The committee recessed from 1300 to 1400.

ELECTRICITY DISTRIBUTORS ASSOCIATION

The Vice-Chair: Welcome, everyone. We have the first deputants, the Electricity Distributors Association, Ken Quesnelle, chair.

Mr Ken Quesnelle: Thank you very much. I'm going to have our CEO, Charlie Macaluso, just make some introductory comments.

Mr Charlie Macaluso: Good afternoon, members of the committee. My name is Charlie Macaluso. I'm the chief executive officer of the Electricity Distributors Association. It certainly is our pleasure to be here today, and we are grateful for the opportunity to address the committee on Bill 100.

To begin, I'd like to introduce more formally the gentlemen with me here. To my immediate right is Ken Quesnelle, the EDA chair. Ken is also vice-president of

Woodstock Hydro. Our vice-chair, to my far right, Mike Angemeer, who is president and CEO of the Veridian Corp. The Veridian Corp is the local LDC serving communities including Ajax, Pickering, Clarington and Belleville.

As you can well appreciate, Bill 100 represents a significant piece of legislation for the province's distributors. The provincial government's energy strategy is going to alter the roles and responsibilities of those who deliver power to Ontario's homes and businesses.

Before our chair addresses the proposed legislation, I would like to take a few moments to speak to you in general terms about Ontario's electricity distribution industry and the role of the Electricity Distributors Association. The association has a long and distinguished history dating back to the foundation of the electricity system in Ontario early in the 20th century.

The EDA is the voice of Ontario's electricity distributors—the publicly and privately owned companies that safely and reliably deliver electricity to over four million Ontario homes, businesses and public institutions. The association represents 90 local distribution companies, which is approximately 98% of the consumers of Ontario, or what we refer to as the LDCs, across this province.

The EDA board of directors is elected by distribution companies from every corner of the province, representing distribution companies of all sizes and from every geographic region in Ontario. In turn, our members directly represent the vast majority of the province's electricity consumers.

Most distributors are locally owned and operated, one is provincially owned, and a few are private companies. In most cases, the shareholder is the local municipality and its local council.

The role of distributors is to take electricity from high-voltage transmission lines and safely provide it to homes and businesses at an appropriate voltage throughout the distribution franchise area. Distributors are on the front line of electricity matters, acting as the customer's point of contact. They are consumers' primary billing agent, including those who have signed a retail contract. They also provide customer service through regular repair and maintenance, call centres, education campaigns and emergency response.

Local distributors provide a number of substantive benefits to their local communities and the provincial economy. The province's electricity distribution industry provides employment to almost 10,000 Ontarians. They also invest well over half a billion dollars in the provincial infrastructure.

In addition to the EDA, a number of electricity distributors will also appear before the committee throughout this process. They will provide a specific viewpoint on the impact Bill 100 will have on their individual businesses. These individual perspectives will reinforce many of the same issues and challenges that we will be sharing with you here today.

To provide the LDC perspective as it relates to Bill 100, I'd like now to turn it over to our chair, Ken

Quesnelle, who will speak to you specifically on the proposed legislation and its impact on Ontario's electricity distributors.

Mr Quesnelle: Thank you, Charlie, and good afternoon to the members of the committee. First of all, I'd like to thank you for your invitation to participate in this process and to be given the opportunity to provide you with an LDC perspective on Bill 100.

At the end of July, the Electricity Distributors Association gathered with its members at a special Bill 100 consultation. We shared ideas, highlighted potential challenges and provided feedback on the implications this legislation would have on our sector. Today, I would like to share that input and provide other feedback that the association has gathered over the past number of weeks regarding this proposed legislation.

Let me start with those elements of the bill that we view positively. First, last year, in anticipation of the expiry of Bill 210, the association developed a policy proposal for the future structure and operation of Ontario's electricity market in a province-wide consultation with its distributors. Bill 100 reflects two key objectives of EDA's policy proposal for the future of Ontario's electricity sector: first, electricity prices that reflect the true cost of power, and second, a contract-based pricing system for default supply that ensures stable rates for low-volume consumers like residential customers.

Under Bill 100, the Ontario Energy Board is responsible for market rules. The EDA applauds this change. This should remove regulatory seams and improve the position of LDCs as market participants. The EDA has long expressed concern over the lack of coordination between the work of the IMO and the OEB.

Under the current legislative framework, neither the IMO nor the OEB has complete rule-making authority over issues at the wholesale/retail market boundary. The result has often been the imposition of enormous costs on LDCs. For example, the Electricity Act, 1998, made LDCs no-risk default suppliers, and the OEB regulated LDCs as if this were true. But the IMO rules on settlement created enormous commodity risks for LDCs in the event of customer default. This seams issue has been very problematic for the province's distributors. The changes proposed in Bill 100 should help redress this imbalance.

The government has taken the first step in breaking down the wires-only barrier by permitting distributors to become involved in demand-side management or DSM-related activities. The 1998 Electricity Act created LDCs as wires-only businesses. This led to the development of complicated corporate structures, affiliate companies and the affiliate relationships code to manage these relationships. The wires-only model prevents distributors and their shareholders from capitalizing on obvious efficiencies such as combined billing for water, sewers and electricity. We applaud the government for this change and note that we anticipate savings that could be passed on directly to consumers.

Bill 100 does not directly address electricity distributors' role in demand-side management but is generally consistent with the principle of providing LDCs with the commercial incentive to participate in DSM activities on a voluntary basis. We firmly believe that this type of approach will foster ingenuity and expertise of local distribution companies. It is hoped that this will result in more electricity conservation and better enable the creation of a genuine conservation culture.

The language of Bill 100 indicates that the Ontario Power Authority, OPA, will contract with distributors to undertake DSM activities but will not dictate to them what particular DSM programs are best for their individual communities.

I believe that we are moving in a positive direction, and that, combined with an effective regulatory mechanism that holds LDCs harmless from the DSM-related revenue erosion, will generate significant levels of LDC-DSM activity across the province. While the OEB's statutory objectives have been changed, the OEB still has maintained the financial viability of the distribution industry as a goal. It is fundamental to the growth of DSM programs in Ontario that disincentives be removed from LDC participation.

Now I'd like to address those elements of Bill 100 that our industry has concern with.

(1) The electricity distributor's obligation to sell: Currently, either LDCs provide all the electricity or retailers provide all the electricity, at the complete risk of an LDC. Section 38 of Bill 100 requires distributors to serve a portion of a customer's load if that customer signed a retail contract—for instance, a green energy contract—for only part of that customer's load. This obligation to sell power for part of a customer's consumption will require substantial expensive changes to billing and settlement computer systems and will complicate even further a distributor's obligation to track costs for the Ontario Energy Board. These are costs that will ultimately be borne by all customers.

As an alternative, green energy contracts should either be sold by retailers or LDCs to their customers or be included in OPA's green energy portfolio and have the cost included in the regulatory supply mix. The EDA is of the view that section 38 of Bill 100 should be removed.

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(2) Bill 100 removes the exemption that distributors previously enjoyed from the Municipal Freedom of Information and Protection of Privacy Act. While the EDA understands the need for public transparency, there is significant concern among LDCs that the application of MFIPPA to distributors will create another administrative burden that will necessarily impact consumer rates. This is an unnecessary layer of consumer protection considering the close scrutiny that electricity distributors are already subject to from the OEB, their shareholders and the securities commission where applicable. In the absence of any indication that there is a problem with transparency and accountability at the

municipally owned LDCs, the government should rely upon the good governance and scrutiny of local councils to ensure that distributors are run in the interests of their local shareholders. Several distribution companies have communicated to the EDA that there will be major cost implications flowing from the application of MFIPPA. This provision of Bill 100 should be removed and the exemption allowed to remain in place.

(3) Bill 100 seeks to create independent boards of OPA and the Independent Electricity Market Operator and to create industry advisory committees to advise those boards. At the very least, the EDA takes the position that there must be LDC representation on these advisory committees.

Last, I would like to address the matter of what has not been included in Bill 100.

First, demand-side management: Although DSM is only part of the overall solution that will ensure an adequate electricity supply for the province, it will be key to providing an important piece of that solution. It is the EDA's belief that under the province's new electricity strategy, distributors will be positioned to play a critical role in the delivery of effective, long-term DSM programs for Ontario's electricity consumers.

This morning, the minister indicated that the OPA should not dictate what DSM programs will work. The minister indicated that LDCs are in the best position to do this, and we wholeheartedly agree.

However, much of the information currently flowing from government and the Ontario Energy Board on DSM lacks clarification on some key issues that will affect a distributor's ability to implement sustainable DSM programs. This vagueness is hampering the ability and willingness of many LDCs to move forward on these initiatives. A number of outstanding and unanswered issues have not been addressed by the proposed legislation thus far.

The transition costs that will be incurred by LDCs in implementing DSM programs are a concern for many of our sector. In order to offer effective and sustainable DSM programs, the province's electricity distributors have advocated that upfront compensation for projected operating costs of DSM programs will be required. Distributors must be kept whole through this process. In order to do this, a mechanism must be in place to recover lost revenue resulting from a reduction in electricity consumption. We are encouraged by the minister's statement this morning where he indicated that the government wants to encourage LDCs to implement community-based conservation programs by removing financial barriers.

There remain several regulatory hurdles which prevent distributors from engaging wholeheartedly in DSM activities. Currently, LDCs have to recover expenditures after they are incurred by their regulator, the OEB, in the rates that the LDC is able to charge its customers. The OEB reviews these expenditures with the benefit of hindsight for prudence. A clear definition of what would be considered to be a prudent DSM investment is an

essential bit of guidance required from the OEB if DSM programs are to get off the ground. The regulatory risk that LDCs should be exposed to when investing in DSM activities needs to be minimized. Again, we are encouraged by the minister's comments of this morning.

The second item is commodity risk. The original market design did not contemplate that the commodity risk—that is, the risk associated with the default of consumers to pay for their electricity—would involve distributors. LDCs were defined as pass-through agents for the commodity. The OEB recognized this and expressed concern about the need for LDCs to operate as true pass-through agents. Despite this, the LDCs are propping up the market through posting prudentials that ensure that the defaults are covered off in the market.

When defaults do occur, the LDCs must bear 100% of the loss, when distribution charges only represent 20% of the total bill. All the other upstream players—transmitters, generators, the independent electricity system operator—are guaranteed 100% of their cost and profit recovery. This problem needs to be addressed and ought to be resolved in this framework legislation.

The most obvious public example of this problem is the financial hardships of Stelco Steel. Stelco has unpaid electricity bills in the millions and, while all market players have received payments for that power, the LDC is facing a significant loss. This bill, if not paid by Stelco, will be borne by the other residents of Hamilton.

If retailers are going to continue to operate in Ontario, the EDA firmly believes that they should pay the true cost of their participation as a full wholesale market player. As an example, retailers provide no money to the IMO or the IESO for prudentials, leaving the LDC responsible for this financial guarantee. The participation of retailers in the marketplace needs to be addressed in this legislation.

In conclusion: Overall, Bill 100 is a step forward in the continuing reform of Ontario's electricity system. The province's electricity distributors are encouraged that a number of significant issues are being addressed in the proposed legislation that have long been advocated for by the distribution industry and the EDA.

Although a number of details regarding regulation and implementation of the legislation have yet to be worked out, the EDA and Ontario's distribution companies welcome the opportunity to work with government and to participate in such hearings as today's committee hearing on Bill 100.

Ontario's electricity distribution sector recognizes the importance that the implementation of substantial and timely conservation measures has with the current government. We have always advocated that, by working in partnership with electricity distributors, government and regulators, we can achieve the best conservation results in the shortest time possible. With this in mind, the EDA will continue to work closely with the Ministry of Energy and the Ontario Energy Board to find cost recovery, revenue adjustment and incentive mechanisms that are the most efficient to operate and are best calibrated to deliver results.

I'd like to thank the members of the committee for your attention and consideration of some of the concerns and outstanding issues that the electricity distributor sector has as it relates to Bill 100.

The Vice-Chair: Thank you, Mr Quesnelle. You have about 12 minutes just to open the floor for questions. First from Mr Arnott.

Mr Arnott: I want to express my appreciation to your organization for the good work that you do. You've done an extraordinary job in recent years with all the change that's been initiated by three governments, and I think you've handled those responsibilities very well.

I have a good working relationship with some of the local distribution companies in my constituency, whether it be Centre Wellington Hydro, Doug Sherwood and his staff; Waterloo North Hydro, Rene Gaten and his staff; and Ron Charie and his staff at Kitchener-Wilmot Hydro. In fact, during the hydro outage last year, I felt that I was getting the very best advice and information that I could possibly get from my local distribution companies that I'm privileged to represent in my constituency.

I just want to also give you credit for publicly embracing, in principle, the idea of demand management because, certainly, if we're successful in terms of reducing our consumption of electricity in Ontario, the local distribution companies face another big challenge, as you've expressed. The Premier has indicated that, as a goal, we should try to reduce our consumption by 5% by 2007. What does that mean to your organization in terms of dollar figures? You hadn't indicated that. If we are successful in that endeavour, how much does it mean in terms of lost revenue to your companies, and how are we going to deal with that?

Mr Quesnelle: Well, the number is significant, obviously, and I don't have a dollar figure off the top of my head, but suffice it to say that when every dollar is counted and we're looking for ways to save money, we do not need further initiatives that lower our revenue side of the business, obviously. I think the number would be substantial, and it certainly needs to be addressed.

There are many ways that it can be addressed, and I think we have to have some really thoughtful discussions on that. There have been discussions as to using the gas model for revenue protection mechanisms. We'd just like to make the point that we have to look there, and perhaps look there first. We have to keep in mind there are distinct differences between the two industries. There are a lot of things that can be done, and these are current initiatives. The rate design that we select as we're going forward—and we're looking at rate design changes in the next couple of years—there is a lot that can be done to mitigate those revenue losses just by the design of the rate. LDCs have a certain portion of the revenue stream that's on fixed cost, and some is on the variable, which rides on the commodity. If we lower and alter that mix going forward, we reduce the mitigation of the lost-revenue requirement and it also allows us to be, I suppose, more enthusiastic partners in demand-side management. That is one area that I think deserves a lot of attention.

1420

Mr O'Toole: I just wanted to put on the record that I appreciate the work you've done on the smart meter debate. To be clearer on that, I've read your report, prior to today of course, recognizing for the public that there are two meters: time-of-use and also the interval meter.

You put out a kind of price comparison here for implementation. I'm of the opinion, and it goes right back to the comment you just made with respect to the pricing strategies they develop, that it's all part of this, really, how you price it in and how you incent people to conserve. It's a huge debate. This really just talks about the technology questions as well as the software and hardware connections and billing problems that you would ultimately have. There's no question about it. If you're going to be monitoring 15-minute prices on a spot market and you're sending a uniform pricing policy at the government, it makes no sense. There's no incentive for the consumer at the end of day. I support the conservation culture theory, but this smart meter debate is not about that for the residential consumer; it is for the big consumer. It's there today. Many of them have demand response management tools out there today.

I just wanted to compliment LDCs again. My LDCs locally, and also Veridian and others, are very communicative. I think they've established extremely good relationships with the consumers.

What would you like to see as a governance model, your role with the new restructuring on IMO—

The Vice-Chair: Mr O'Toole, I guess the time's up, because I have to give a chance to others.

Mr O'Toole: Well, he can respond to that. What's the relationship governance-wise—

The Vice-Chair: That way, Mr O'Toole, we won't have enough time for both parties. You guys used your time. My apology. You might ask the question later on or after the meeting.

Mr Hampton: I want to ask a follow-up question to your comments and to the question that Mr Arnott asked earlier. What I think I heard you say is that in terms of the final retail transaction, the sale of electricity, the EDAs bear a lot of financial risk. You are essentially on the hook. Everyone downstream gets paid: the generator, the transmitter etc. They all get their money, but you're left there on the hook in terms of somebody who doesn't pay, right?

Mr Quesnelle: That's right.

Mr Hampton: You used the example of Stelco.

Mr Quesnelle: Yes.

Mr Hampton: So, potentially, your costs can be very high. You've got a big chunk of risk there to manage. Yet, as Mr Arnott pointed out, if there's a 5% reduction in the utilization of electricity, on the revenue side you potentially lose.

I guess what I'm having trouble with is, given that this legislation would continue to leave you on the hook with all kinds of financial risk on the sales side, won't it also be increasing your risk in terms of demand management? It seems to me your financial risk potentially grows significantly under this bill.

Mr Quesnelle: The element that needs to be ironed out is, and I think that's what part of the discussion here today has to be, how do we bring in these initiatives and save the LDCs as a whole? I think we've already recognized we have a prudence risk. We're responsible for default when there is a nonpayment. On top of that are the revenue losses associated with demand-side management.

When we're designing the DSM programs, we have to at the same time trigger in something which allows us to recognize that those revenues are no longer there for us and to have rate structures which compensate for that. I think they go hand in glove. I don't think you can have DSM program initiatives without a discussion on rates and how rates will be approved in the future. I think the legislation recognizes that. We just have to have that debate with our regulator as well. Obviously the policy and the implementation have to dovetail well. That's where the attention has to be paid: on the rate-setting, going forward, and recognizing that DSM does reduce the level of revenues we will be receiving.

The Vice-Chair: Now we have another question from parliamentary assistant Donna Cansfield.

Mrs Donna H. Cansfield (Etobicoke Centre): I just wanted to follow up as well. I think we've written down all of the things you've mentioned. There's no question that the entrepreneurial spirit is alive and well. I think Woodstock is a really good example because when in fact you did have a very significant loss, you turned that around into a very significant gain by using something called power purchase. I think there's something to be said about how that default turned into a plus. Maybe you could share that with the members of the panel.

Mr Quesnelle: I think what Mrs Cansfield is referring to is a system that Woodstock has used for the last 15 years which has resulted in a reduction in consumption by the people using it. Some 25% of our residents, our customers, use this system. Basically, our rates were set through a different mechanism. At that time and through the bulk of our reduction in revenue, we were having rates adjusted on an annual basis that matched our costs. We no longer have that available to us. So going forward, if that program increases, Woodstock will have the same difficulties as anyone else. Yes, there are some net savings. There's no doubt about that. Sometimes some of these mechanisms do have intrinsic savings with them. Under the old system, when we were just approving rates through Ontario Hydro, our regulator at the time, we would show our costs and our revenue requirements, and if it was in line, it was approved. Going forward, we don't have that mechanism with the Ontario Energy Board. So Woodstock is like any other LDC. If it expands on that program, it will need the same revenue requirement guarantees, basically, to be locked in.

Mrs Cansfield: But you did in fact reduce your default payments significantly—I thought it was \$77,000—to the point where I think you actually got rid of that department.

Mr Quesnelle: Yes. I'm sorry, I misunderstood. From a collections point of view, there's no question that that

certainly had an offsetting benefit. The types of things that we're usually on the hook for, though, are the industrial- and commercial-based. I think those are the large-ticket items—and using Stelco—which the program that Woodstock has does not address. So I think our example here certainly wouldn't be covered in that.

The Vice-Chair: The time is up. We can call our second group, the Ontario Sustainable Energy Association.

ONTARIO SUSTAINABLE ENERGY ASSOCIATION

The Vice-Chair: You have 30 minutes. It's up to you how you divide it. You can speak all the way through or you can divide it between presentations and questions.

Mr David MacLeod: Thank you for the opportunity to present here this afternoon. My name is David MacLeod. I'm a director with the Ontario Sustainable Energy Association. I'm joined today by Mr Paul Gipe, who is a wind energy expert globally and is also the acting executive director of the Ontario Sustainable Energy Association.

What we would like to talk to you about today is, actually, opportunities within Bill 100. We are going to focus on four key areas that we think represent tremendous opportunities to tap into unique opportunities in the Ontario marketplace.

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First of all, we'd like to suggest that Bill 100 represents a good start, certainly from the perspective of renewables. Our focus today will be on renewable energy. We believe the inclusion of renewables as a policy directive in Bill 100 is very laudable, and we are very supportive of that. However, we think it overlooks four key areas: first of all, the social and environmental values that are required to shape the electrical system in Ontario; secondly, we think it underestimates the potential for renewable energy in this province; certainly, we think it does not take advantage of the potential for community-owned renewable energy in Ontario; and finally, we'd like to suggest that there's a unique opportunity presented by advanced renewable tariffs, a policy mechanism that we will describe in more detail later.

A little bit about who we are: We are the Ontario Sustainable Energy Association. We're an association of member groups from around Ontario that encourages local ownership of renewable energy projects. We are supporting what we call community power, which is a concept of local ownership of the renewable energy resources in these communities. This is a practice that is very well established in Europe and other places around the world but is just in its infancy in Ontario.

In terms of specific gaps, the first gap we'd like to talk about is the social and environmental values that are missing from the bill. Our belief is that values really shape the type of system you end up with. Certainly, the values that are espoused in Bill 100 will direct the

policies and actual implementation practices for the electricity system and will really deliver the type of electricity system that we get. So the question becomes, what kind of electricity system do we want in Ontario?

We would like to suggest that electricity has a broad societal role. It's not just keeping the lights on at the lowest cost, although that's important, and critical in a manufacturing economy like Ontario. There are other impacts. Those include the environment, the health of citizens, the local economies outside the major industrial areas and future generations of our children who have to live with the long-term impacts of what we design in our system.

Upon reviewing Bill 100, it strikes us that the only values mentioned are monetary values: things like adequacy of supply, reliability, economically prudent, cost-effective—all good things. We want to ensure that electricity is an economically competitive item. But there are some key items missing.

There's no balance with the societal benefits; health and welfare impacts—you just have to live in Toronto to know, on smog days, the impact coal-fired plants and so on can have on the health and welfare of Ontarians; the environment—the importance of identifying renewable energy sources; economic development; sustainability—developing a system that is sustainable in the long term and isn't just looking at short-term fixes; and certainly distributed generation, a topic that is very important to a resilient system in the province. We feel this is not adequately addressed within Bill 100.

The question becomes, what kind of system will we get if we don't include these types of values within the context of the bill? As decisions are made about practice and people refer to the bill for guidance, if these values aren't built into that system, then the only metrics that will be used will be cost metrics. Therefore, you will end up with decisions such as, "Renewables may cost a little more, so we'll go with more polluting types of energy or nuclear energy because those are perceived as more cost-effective." We think we're missing a key opportunity here which will have a significant impact in the long-term development of the electricity system in Ontario.

Our recommendation is that Bill 100 be amended to integrate these social and environmental values. Address the economic ones but balance them for optimization of health and welfare and the societal benefits.

Now we'd like to move on to the prospects for renewable energy, because certainly if the right values are in place for this system, then one of the opportunities is the opportunity of renewable energy. We think there are some good steps taken in this bill, but that we're really underestimating the opportunity at hand.

There is this myth that renewable energy is in its infancy and that it's only ever going to be a fringe element in the overall system mix in Ontario. What we suggest is that wind energy—renewable energy—is here now. If you look at this chart, it shows the worldwide wind-generating capacity. If you look at continents like Europe and countries like the United States, you see there

has been dramatic growth in renewable energy around the world. So while it is in its infancy in Ontario, in the rest of the world it's mainstream and playing a significant role in the energy system mix.

Again, if you look at these countries, Germany has 14,000 megawatts of wind-generating capacity alone. Germany is a country pretty much similar to the size of Ontario. So if you look at that and say 14,000 megawatts, that is significant. Similarly, Spain and Denmark have also made significant growth in wind energy. Down at the bottom, barely on the radar scale, is Ontario. I know there are some tremendous projects planned for this province, but there is a significant amount of upside here.

I don't think I need to preach in terms of "Why renewables?" Obviously they are clean and green. We have no SO_x or NO_x or carbon dioxide. They are sustainable. We don't have supply risk in terms of our oil reserves or our gas reserves going to run out; the wind and the sun are going to be there forever. We have security of supply, so we don't have to worry about where that energy is coming from.

One of the advantages in a province like Ontario is that renewables are modular. They can be quickly installed when needed, as needed, where needed, by anyone. You don't need a 10-year time frame to develop a large generating station. These types of projects can be done quickly in a very modular fashion.

They are also very flexible. The size and scale of them can be big or small. They can be located near or far, in a variety of places around the province near the load, and they have short lead times for development. Wind energy can be brought on stream in a very rapid time frame to really help make a contribution to the energy supply requirements of Ontario, and certainly ownership can take a variety of forms in the province.

Lest you think that wind energy can't be a significant part of the energy mix, here are some examples from around the world. In Spain, 2% of their energy now is from wind energy; in Germany, 4%; in Denmark, 17%. If you look there, a couple of regions within Germany and Denmark actually have significant penetrations of wind energy in their energy mix and one is actually an energy exporter. The technology is there, the means of integrating wind and other renewables in the energy mix are there and are proven, and there is hands-on experience of these things. So there is a tremendous upside.

How does this relate to Bill 100? The thing that concerns us is that currently Bill 100 gives the OPA powers to establish system-wide goals for the amount of electricity from renewable energies. That's good if these are minimum goals; it's bad if these are considered caps on the amount of renewable energy as part of the mix. If we say 5% or 10% is the maximum amount of renewable energy that will be contracted for Ontario, then we're missing the opportunity and we're stymieing and stifling the growth of this tremendous industry.

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Our recommendation is a fairly simple one. It is that any goals or any targets that are identified be referred to

as “minimum acceptable” amounts for renewable energy. We encourage the committee not to restrict the potential for renewables in this way.

How we tap into this potential for renewables is what leads us to the third gap, and it's what we call community-owned renewable energy. What is community power? First of all, by our definition, community power is local. That means it's rooted in and responsible to the community. It's locally owned, whether by farmers, co-ops or First Nations groups. The people who are seeing these things in their backyard are the people who own it.

We are talking about commercial-scale technology. For example, for wind turbines, we're talking about utility-scale wind turbines, not hobby turbines, but human-scale projects; so in essence a critical mass of smaller projects that make a big difference: small-scale projects but not small-scale turbines.

Why community power? The experience in Europe and other countries proves that community-owned power provides more power more quickly. In Denmark and Germany, it was community-owned power that actually led to the growth of the wind industry in those economies. It wasn't the private developers; it was farmers and co-ops getting together, developing these wind projects in their communities and making a significant impact on the amount of energy produced.

When you do that, you end up with more people involved locally, which leads to more education about energy in all ways, whether it's conservation or the importance of renewable energy. We suggest that this also leads to greater acceptance of these technologies. You don't end up with the NIMBY factor, where a large private company comes in and wants to put up 100 turbines and the people in the local area may not feel they're getting any benefit from it.

You end up with more money locally. The money stays in the communities because the communities are the owners of the projects. The revenues from the projects stay in the local communities. We think that's very important. If you look at the rural economies where most wind projects can be built, you've got small farms, you've got farmers having to leave the farm and scale back their operations, and you've got rural economies that are looking for economic diversification. If the ownership is placed there, then the financial benefit stays in those communities. By its nature, you end up with more jobs locally and more distributed generation. You don't end up with a few really big projects in a couple of areas; you end up with hundreds of smaller projects around the province.

In case you don't believe me, here are some examples of how it has worked in other places. In Germany, the co-ops there have produced 5,000 megawatts of capacity. This has represented a C\$7-billion investment by the people in the local communities—\$7 billion by people in communities contributing to the energy solution. Some 300,000 people own shares in wind co-ops in Germany. This is a significant untapped opportunity.

In Denmark, the Middelgrunden co-op, one of the most beautiful offshore developments in the world, is a 40-megawatt offshore project. Half of it is owned by the co-op and half of it is owned by the local utility in a unique partnership. Some 8,500 local investors have put up approximately \$1,000 a share—if you do the math, \$8.5 million—and own half of this project. It's visible from the local Parliament, so it's like having this offshore development right outside the front doors of Queen's Park—a beautiful reminder every day of what wind energy can do.

Here at home, on a more modest scale, the Toronto WindShare project is an example of this community power. It's the first urban turbine in North America and it's co-owned, similar to Middelgrunden, by a WindShare co-op and Toronto Hydro. There are 427 local investors, who have contributed between \$500 and \$5,000 to the ownership of this project. It's in a very prominent location, obviously, and one that is highly popular. We have an education centre down at the base of that turbine which continually provides information to visitors who come down and are interested in learning more about renewable energy. This project was modelled after the successful projects in Europe, so this is the seed of what is possible within Ontario.

Just to talk a little more in terms of the energy system, community power by its nature results in a more distributed generation. You end up with projects around the province, as I said, rather than in a few main areas. This extends the opportunity to many people and fosters greater energy awareness. But more important, as we come up to the anniversary of the blackout last year, this adds more resiliency to our system. When you've got hundreds of smaller projects near the load, you end up with a more resilient system, less vulnerable to breakdowns, less vulnerable to sabotage, and less line loss in the distribution.

Here are some visual examples of these types of projects in Germany and Denmark. They fit very nicely into the local landscape.

So how do we do this? How do we ensure that we can tap into this opportunity in Ontario? First of all, community power requires a deliberate policy mechanism in order to capitalize on these benefits. You need to recognize that there are a variety of benefits that come from community power and that community power needs both a simpler and more streamlined process and a level playing field. I'll show you an example of what I mean by that.

Paul and I have been out doing a variety of workshops around Ontario in rural areas, and inevitably there are 250 to 300 farmers who show up and ask Paul, “How can I do this?” Unfortunately, Paul has to turn around and send them home and say, “You can't.” And here is the reason: Right now, if a farmer wants to build this, what price is he going to get for the power? Well, he doesn't know. He has to go into a bidding process against large private developers and corporations who are building 100-megawatt projects versus his small, one-megawatt project. There's just no comparison. You can't compete.

The second fact is, how does this poor farmer interconnect with the transmission system? As you may hear in other presentations, this is an extremely complex and onerous process. I was talking to a private developer last week who has spent a year doing studies on the interconnection of their project to the transmission system, and close to \$100,000. So a farmer is just going to say, "I don't have the time, the money, the resources or the expertise to do this."

Thirdly, the overall process is very complex and mammoth. The amount of money that's required to prepare a proposal for the current renewables tender is Herculean. Again, a farmer has many other things he has to do, and he will walk away.

Finally, when the farmer doesn't know what price he's going to get for his power, how is he going to get the financing from his local bank, which says, "We don't even know if you can get a contract. We don't know if you can hook up. We don't know what the price is. So you want me to lend you \$1.5 million? No." So right now, this potential with farmers and so on is untapped.

We suggest this is a gap and that we need to clearly identify the most appropriate policy mechanisms to support this type of community power. We suggest that Bill 100 should explicitly acknowledge community power and ensure the appropriate mechanisms.

That leads us to gap number four, which is the opportunity provided by what we call renewable energy tariffs. This is the mechanism that we're suggesting can allow Ontario to tap into this potential.

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Ontario is a new market filled with great promise: a potentially large market for renewables, a potential new manufacturing base, and some rural economic development. The renewable energy industry can grow very rapidly with the right policy framework. So the question is, what is the right policy framework?

Again turning to Europe, which is the major market where this has been successful, the two key variables are (1) the right to interconnect, and (2) a concept called renewable energy tariffs. If you look at this graph, you'll see that when renewable tariffs were launched, there was dramatic growth. This chart also shows just the growth on an annual basis of wind energy under the renewable energy program.

Advanced renewable tariffs create dynamic markets, they ensure price stability, and they encourage the opportunity for many players. So what are they? Well, first of all, they're a political price, not a political quota, and that means there's a minimum price per kilowatt hour that is determined through a reasonable process for a fixed period. That price applies differently to different technologies. So, in other words, a price is set for wind, a price is set for hydro, and a price is set for solar. That recognizes the different cost factors in these.

These programs are simple and comprehensible—a farmer can read it—and it requires little or no administration on the part of the province and the environment

ministry, which we know is facing quite a mound of proposals coming in on the current RFP.

Again, this just shows the growth of wind energy in European countries that have adopted this, and it's not only wind energy; it's solar energy in Germany. What has this done? Well, a case study in Germany just drives home this point. In terms of renewable power, 50,000 PV installations, 1,600 biogas plants, 6,000 hydro projects, 15,000 wind turbines: a total of 70,000 generators, generating 25 terawatt hours per year, which is the equivalent of 17% of Ontario's power. Not only has it generated incremental power, but it has generated a whole new job industry. So 45,000 people in Germany are employed in the wind industry, 110,000 jobs are expected by 2010, and 10,000 people are employed in the solar industry.

It might be tempting to say, "Well, this is one of those unique German things and they do things differently and it doesn't really apply to Ontario," but a scan of policies around the world shows that this policy mechanism is widespread and very effective. If you look at the list of countries that currently have it and a number that are on the verge of adopting it, you realize that this is a vital policy mechanism that is being recognized for its effectiveness around the world.

While section 25.29 says that the OPA must provide for simpler procurement processes, we suggest that it needs to address advanced renewable tariffs for community power. Therefore, that should be built into Bill 100 to recognize that this is the preferred mechanism for tapping into community power.

To summarize, our key recommendations are that Bill 100 should incorporate social and environmental values; set minimum goals, not limits, for renewable energy; affirm the importance and benefit from the opportunity of community-owned renewable power; and finally, create the right mechanism to allow that to happen.

Thank you for your time.

The Vice-Chair: Thank you, Mr MacLeod. We have, I guess, six minutes. We can divide, since the deputy is not here. First, Mr McMeekin asked to speak. We'll just do the rotation.

Mr McMeekin: Thanks very much, Mr Chairman.

Thank you very much, too. I had been to a lot of alternate-energy-type presentations, but I think you put it together as nicely as I've ever seen it done in terms of—well, I think you've given new meaning to the term "power to the people."

Mr MacLeod: Thank you.

Mr McMeekin: I've always been one who thinks government needs to be stretched. I think we can be lean and mean and keen and green at the same time. So I appreciate that.

I also appreciate—and I'd like a little bit of comment from you on this. The feds had a round table on the environment and the economy. One of the points they made was that what—I'm generalizing. They made a lot of points. The point I came away with was that what gets measured gets done. Throughout your presentation I was

picking up that maybe the bill doesn't help as much as it could in terms of getting things measured. What help can you give us in terms of developing a broader understanding of how we measure things—I guess this ties into the cost-benefit question I asked earlier this morning—and would you be prepared to work with us on that?

Mr MacLeod: Certainly the Ontario Sustainable Energy Association has offered its support to the Ontario government to look at how these types of approaches can be integrated. In fact, in the fall we're bringing over from Europe experts on these types of policies to hold a working forum that is open to all interested parties on how this can help shape the policy system in Ontario.

Mr McMeekin: I think we should be part of that if we can, Mr Chairman. Sorry.

Mr MacLeod: Second, I think you hit the nail on the head: What gets measured gets done. If you look at the purpose of the act, it acknowledges the importance of renewable energy and the government has set targets for it, but the electricity system impacts a variety of areas. So it needs to balance the economic goals with the other measures.

I was just reading a report from the David Suzuki Foundation where their elders' council has come forward and said, "What is the true measure of wealth?" We need something beyond GDP that looks at the environment and the health metrics. Currently Canada is 28th of 29 industrialized countries in these types of metrics. I think those types of things are very good to help focus people on how we are doing against these things. So I think that's an excellent suggestion.

Mr McMeekin: You've suggested the conference. You're prepared to work with us around measurables and such. I really appreciate your presentation and the scope of what you're saying.

Mr O'Toole: Thank you very much for the work you've done in putting together a rather fragmented attempt to get the voice heard for the whole renewables sector. I commend you. You've done a lot of work here on this.

I'd also recommend for your reading the report of the alternative energy task force that was commissioned. Steve Gilchrist was well-known, and that committee did a lot of great work. There were a lot of recommendations that you talked about today, like the renewable portfolio standard. I think that report recommended quite an aggressive policy direction which would have been supportive of what you're suggesting here.

The gaps are—and you made recommendations. It's a very comprehensive presentation that way.

I had a couple of little points when it was through. For the most part, renewables have to have some kind of government incentive. Your last gap really talks to that. It's a tariff or a tax or whatever name you want to attach to it. It's an economics thing too. Whether it's wind, photovoltaic or whatever, until you have the economic mass on your side of generation, you have to have some scale. Hopefully the price will come down as the scale goes up in wind and other technologies.

You've costed—on page 2, you have the social gap: benefits to health. I commend it. I think we're all looking for that magic wand. Have you got any prices on any of these kinds of things? What is it? Is it seven or eight cents a kilowatt hour?

Mr MacLeod: In terms of the cost?

Mr O'Toole: Or 11 cents?

Mr MacLeod: It will vary depending on the technology, whether it's wind or solar—

Mr O'Toole: Would you be competitive at 10 cents or six cents or 12 cents? Where would you be competitive, tariff rolled in for everyone?

Mr Paul Gipe: We're suggesting 10 cents a kilowatt hour for 20 years for wind projects. It would be a different price for other technologies. This will all be discussed on October 4 at the forum, which the members of the committee and other members of the Legislature will be invited to attend, where we will have experts from Europe as well as Canada talking about, "What are those prices?"

Mr MacLeod: To put that in context, we're suggesting that that is the appropriate starting point for wind energy for small-scale, community-owned projects. For larger projects, the Canadian Wind Energy Association is on after us, and I'd encourage you to ask them what the reasonable price is.

Mr O'Toole: I've been to Pincher Creek. I've seen some of the things. They're all incented by federal money.

The Vice-Chair: Thank you very much, Mr MacLeod. Thank you for your presentation.

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CANADIAN WIND ENERGY ASSOCIATION

The Vice-Chair: Now I ask the Canadian Wind Energy Association to come forward. You also have 30 minutes. You can speak all the way through it or you can divide it between presentation and questions.

Mr Glen Estill: I'm Glen Estill. I'm the past president of the Canadian Wind Energy Association and I'm also founder of Sky Generation Inc, which is a small wind development company. Although it's a small wind development company, it is the largest private sector wind development company in the province with a single 1.8 megawatt turbine. So I am a participant in the market.

There is a handout coming to you, and you can follow through on the slides. I'll be addressing it to you as we go through the slides.

The first point I want to make is to emphasize that the potential contribution to electricity supply from wind energy in Ontario has traditionally been very substantially underestimated. The industry believes that 6,000 megawatts is conservatively available at very economic prices, probably 10 cents per kilowatt hour or lower. If you have higher prices you can have more wind energy because you can utilize more sites. To give a perspective, 6,000 megawatts is about 10% of the supply of the province, which is more than the output of the Pickering

station today. So it's not insignificant and is currently an entirely unutilized resource.

To give you a bit of perspective on where Ontario stands in Canada, we're fourth. We've behind Quebec, we're behind Alberta, we're behind Saskatchewan, and we're only one megawatt ahead of Prince Edward Island. If you think about it, Ontario typically leads Prince Edward Island in most things, with the exception perhaps of lobsters, potatoes and Anne of Green Gables souvenirs. I, for one, don't think we should be ceding the wind energy business to Prince Edward Island. Their 140,000 people are wonderful people but our 12 million people are more.

I'd like to thank David and Paul for their wonderful presentation. It gave a very good grounding on what wind can do, but there are some key issues that should be understood.

A few of the other advantages of wind energy: Fast deployment is a key advantage that wind offers. When you look at some of the other technologies that can be brought on, whether it's the Beck tunnel—it's a good project and I'm glad to hear it's going ahead, but it's going to take five or six years to get there. The nuclear refurb: We've been working on the first Pickering refurb for a considerable period of time. New nuclear is going to be a 10-year process. So speed of deployment is a key advantage that wind offers.

In the past in Ontario, we've gotten into trouble because we decided in 1980 what the demand is going to be in 1990. Guess what? You cannot decide in 1980 what demand is going to be in 1990. It cannot be done. Nobody knows what demand is going to be. What's going to happen to the energy efficiency of refrigerators? What's going to happen to the development of the Internet and server farms? Nobody can tell. I'm from the computer business and I can tell you that in 1995 I would have had no idea that Internet server farms would have an impact on the electricity market in the year 2002 or 2003.

Speed of deployment: You can build a wind project, once it's permitted, within about six months, which is quick.

Correlation with demand: Ontario is a dual-peaking jurisdiction, and although our peak demand in the summer is about as high as in the winter, in the summer it runs for an hour or two. In the winter, peak demand lasts all day. Guess what? Peak winter days are usually associated with high winds, because wind sucks the heat out of buildings, creating more fans for furnaces as well as more electric resistance heating where electric heating is used. So wind energy actually works very well with a jurisdiction like Ontario that is dual peaking but does have higher total demand in the winter.

It's also complementary with existing water power resources. You'll hear big utility types often say things like, "You can't rely on the wind. What do you do when the wind isn't blowing?" We already get a quarter of our power from water power and some of that has dam-based storage, and certainly it has 24 to 48 hours or 72 hours or

even a few weeks or months of storage. When the wind is blowing you allow the water to accumulate behind the dam, and you let it run through when the wind isn't blowing. So we already have the ability to put in a substantial amount of wind; that's without tapping any new sources of storage supply in Manitoba or Quebec.

I'll touch briefly on the wind energy benefits. There's the rural economic development. Wind energy will be installed in areas that are typically not that prosperous. If you go down to the shore of Lake Erie, up to the beef country of Bruce county, out in eastern Ontario around Kingston, this is where the wind is going to be found: along the Great Lakes. These are areas that can use the economic development that wind energy can bring in terms of lease income for farmers, in terms of jobs for people in service, in terms of jobs putting in the rebar, putting in the cement, constructing the turbines and so on.

I also believe that Ontario is a sizable enough market that we could attract manufacturing. All the European manufacturers of wind turbines are looking for a North American manufacturing strategy. All of them are waiting to find out what jurisdiction has the long-term, stable, progressive policies that are going to develop a market so they can build the wind turbines here. I think Ontario has a chance to jump to the lead with proactive action by the government, by the province, to establish the fact that Ontario is going to be a major wind source.

Another key issue is that wind is not subject to continental energy price fluctuations. We hear a lot about gas being a good solution, and it's not a bad solution. We certainly need some gas in; it's a very good peaking solution. But gas prices are high and they're forecast to stay high, and there are some forecasts that we're going to have some difficulty in meeting demand over the next five to 10 years. So I think it's certainly worthwhile to have at least some of our supply coming from an infinite source like wind. It's clean; there's no asthma caused by wind turbines; there are no health care cost associated with it; there's no uncertain, long-term toxic waste storage that's required. The other key issue is that the financial risk is limited. We don't know what the financial risk of long-term waste storage is; we really don't. Nobody can tell you. With wind, you can put out a contract to buy the power and obtain that power without putting ratepayers of the province at undue financial risk.

I want to touch briefly on the acceptance of wind. This is an issue I want to tackle head on. Some people are concerned that maybe wind energy isn't going to be broadly accepted and that there are going to be some NIMBYs who opposed to wind energy because they don't like the look of it in certain areas and so on. There are going to be some people who don't like it, but I can tell you that my experience with it has been overwhelmingly positive. Like anything negative, you're going to hear a lot more about that in the press than you're going to hear of the positives. I put up a wind turbine and I announced a grand opening for it. November 27 was when the first power was produced. November 30 was a

blustery, snowy winter day on the Bruce Peninsula. In a community of 3,500 people we expected about 150 to come out to the grand opening. We had cars backed up all the way down the 3,000-foot lane and spilling out on to Highway 6, and 850 people in total showed up. The Lionesses were very creative. I always use the story of the loaves and fishes and how they multiplied it. They went next door to Foodland and picked up some extra supplies. But we had a great day. Eight hundred and fifty people came out; nobody was opposed.

Mr McMeekin: They all carpooled, right?

Mr Estill: I hope they all carpooled. Not many walked, I can tell you.

North Cape in Prince Edward Island is another case in point. I think there are about 13 megawatts at North Cape in Prince Edward Island. The corporation that put them up is a provincial utility. They went to the tourism board and said, "We think there are going to be a lot of people wanting to come and see this wind farm. We'd like to build a visitors' centre for people to have washroom facilities and a bit of an education, maybe a classroom-type thing." The tourism board said, "Nobody is ever going to want to come and see a wind farm. Don't be silly."

In their first year of being operational, 70,000 people came to see that wind farm. In the second year there were 100,000. And guess what? They have their visitors' centre.

So I am convinced wind energy is very popular and something that you need not fear as having major negative political ramifications. I do support what the Ontario Sustainable Energy Association said, and that is that you encourage the development of small projects, because people do fear the unknown, and they fear the unknown even more when it's really large. So we need to encourage and have a mechanism in place that supports small projects to ensure that we can have large projects go ahead without undue social unrest around them.

I see Bill 100 as all about opportunities. The formation of the Ontario Power Authority, I believe, is a very desirable thing, principally because it's going to be able to offer long-term power purchase agreements. Wind energy is a very capital-intensive business but also very low in operating costs. You don't have to buy fuel for the turbine. So with a capital-intensive business, a long-term power purchase agreement allows you to drive down the cost of wind energy. It's vital that there be a mechanism in place, and the Ontario Power Authority gives us the mechanism to provide those long-term power purchase agreements.

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I would also point out that it's vital that the OPA be credit-worthy and that bankers be able to lend against projects that are bidding on OPA contracts. It's absolutely vital. I would encourage the government to monitor this, to have a dialogue with the financial community and ensure that if there is any sense that the province is paying too much for their power—I mean, let's face it; if the intent of the government is that all costs that the OPA

has are going to be passed on to the ratepayers, and that's always going to be the case and that's the purpose and intent of the government, then a government guarantee costs nothing, because there will be no circumstance under which anybody could come back to the government. I'm not sure whether it's credit-worthy or not, but I do think we need to be watching that situation carefully.

Another opportunity represented by Bill 100 is the opportunity for a minister's directive around renewable energy. Essentially, this is a renewable portfolio standard that has been recommended by the alternative fuels subcommittee. We haven't had the mechanism in Bill 35 to implement an RPS. Bill 100 allows the minister to provide a directive to the OPA to go ahead and procure, and I greatly applaud that.

I do think we need to be careful about thinking that that's as much as we can do, though. Let's think about the worst-case scenario. We go out and get 6,000 megawatts of wind, we get a couple of thousand megawatts of small hydro built and a couple of thousand megawatts of biomass and we start supplying 20% of our power from renewable energy by, say, 2010 or something like that. What's the problem with that? All that is giving us is lots of options. Of course, if we go out and spend too much on it, then it may be a problem. But I think we should be saying that we should do as much as we prudently can. That builds options to not have to look at doing expensive nuclear refurbishments or building new nuclear plants. I think it's vital that we build options for the future of the electricity market in Ontario.

One of the things that is stated in Bill 100 is that the OPA is directed to come out with a simplified procurement process for renewables. I can tell you that the current request-for-proposals system is not a simplified system. I spoke to one player the other day who estimates that they're going to have \$1 million invested in bid preparation for that contract. That is why the Canadian Wind Energy Association absolutely supports the development of advanced renewable tariffs, if not for all wind projects then certainly for small and medium-sized wind projects where the overheads associated with a bid process substantially diminish the opportunity for bringing on their projects.

The other thing that Bill 100 does is present opportunities for local distribution companies to participate in clean generation. In the past that's been forbidden. If the local distribution company wanted to develop their own little hydro resource or put up a wind turbine, it was a bid against market rules. It's quite unbelievable that that has been the case, and I'm glad to see that in Bill 100 that's removed.

Even more important, I think the local distribution companies have an opportunity to allow all citizens of Ontario to participate in the development of green markets. I believe every citizen of Ontario or every electricity purchaser in Ontario should have the ability to tick a box and spend \$5 a month extra to get their power from wind, solar or whatever source they like. Today, it's against market rules. An LDC can't even offer green

electricity. Of course, when it was designed, it made sense. They wanted retailers to offer green electricity and they didn't want LDCs to have an unfair advantage over retailers, so it made sense: "We'll make it so the LDCs can only sell a system mix; they can't sell green electricity. We won't even allow them to do that. We have to build this edge in for retailers." Bill 210 came in, put a 4.3-cent price cap in place, and retailers had no business opportunities anymore, so retailers were put out of business. The only potential mechanism to develop a voluntary green market was shut down by Bill 210—and I say the only potential mechanism; it wasn't even an implemented mechanism. I believe we need to make sure this bill solves that problem.

We heard from the EDA earlier. They are strongly encouraging us not to allow green power to go on the bill. They think that's going to cost too much. I guess the question I would have is, if it's going to be cheap and economical to put sewer and water on that bill, why is it so expensive to put on green power? It makes no sense to me at all.

I also point out that the voluntary green market is absolutely not a substitute for an RPS. The RPS is the main driver of green markets and of wind energy markets, but a voluntary market should not be underestimated as far as its potential. Alberta does not have an RPS, but they do have a voluntary green market, and wind energy supplies 2% of the load in the province of Alberta. That's over 100 times per capita what we get in Ontario from wind energy, and it's all because they have a voluntary market that is easy to administer. The people of Alberta, who breathe the clean mountain air all the time, are buying 2% of their power from wind energy.

Here in Ontario, where we don't always breathe clean mountain air, I believe there's an opportunity to buy a little bit more than 2% of our energy. But why can't we? Because it hasn't been made simple. It has been against market rules. LDCs have not been allowed to. I believe they should not only be allowed to, but I think at some point they perhaps should be required to. I think that's something Bill 100 touches on and enables, but I think we certainly need to consider that down the road. I do believe there needs to be lots of discussion. It needs to be done efficiently. We need to listen to the concerns around billing and ensure that we don't have a mechanism that's going to cost more than it's going to deliver.

To give you a perspective on 2% of power, if we can get the citizens of Ontario to volunteer to open their wallets and pay extra to bring on wind energy, 2% of the power is equivalent to the decision we made about redoing another Pickering reactor. That's not an insignificant thing. We're spending \$1 billion or \$900 million on the next Pickering reactor. I think that getting that kind of power put into the market on a voluntary basis for people who want to pay extra or companies that want to demonstrate to their constituents that they're interested or, by the way, MPPs who want to demonstrate to their constituents that they want to have green power for their constituency offices would be fine too.

There is a significant danger in some of the development of the Ontario Power Authority, and that is the danger of the impact on the spot market. We don't know where the spot market or day-ahead markets are going to go in the future, but what is clear is that if we have a contracting authority that is placing contracts, say, with gas generators or other sources of generation, and they say, "Well, you go build the capacity, and we'll pay you something to build the capacity and then you can bid into the market just based on your marginal cost," which is the fuel plus the operation and maintenance, we're going to have a negative impact on the price in the spot markets in Ontario.

Today the spot markets in Ontario do not work for generation. I know one of the purposes of the province is to have economical electricity prices, but one of the reasons we're in this pickle is that nobody will build a new power plant of any description at the current five cents that's in the spot market. So we need a higher price in the spot market. My belief is that not only should consumers pay the full price of power, but the spot market should reflect the full incremental cost of new power to the province.

One of the concepts of Bill 100 is to take the heritage assets out of the pool and blend those into the rate base. That would allow you to have a spot market that would have a high enough price to incent the development of new generation and be blended in so that consumers don't take it on the chin too much in terms of the power price.

The other thing I'd point out is that a voluntary market for green energy does depend on the electricity price obtained by the generator being a reasonable price. If the generator only obtains three cents for their electricity, clearly the green premium becomes a lot higher. So it's important that the voluntary market have a fair and appropriate price compared with other new sources of generation, when they're involved.

The next slide—I don't know how closely you've been following through on your sheets—has some pretty small text on it, and the reason for that is because there are a lot of other barriers to the development of wind energy, and many of them are policy barriers, and quite frankly they are not being removed in any kind of effective and efficient manner.

For several years the industry has advocated the development of a renewable energy secretariat to go after these barriers and ensure that any new policy initiatives that are undertaken don't introduce new barriers to the development of green energy. I'll just touch base on one really quickly: property tax.

The property tax burden on a wind project is roughly 20 times what it is on a fossil fuel project. Think about the policy implications. Can anybody go out to the public and say, yes, it is the right policy to tax wind power out of existence and make sure that fossil fuel pays a low tax? I know that nobody can possibly be thinking that way.

The previous government introduced a 10-year property tax holiday as their solution to this, and in the spring

budget the 10-year property tax holiday was eliminated. Now, we have been talking to finance department officials. We're working on getting some kind of acceptable assessed value on wind turbines, but it simply makes no sense, in my book, to have that kind of thing.

So to answer one of the questions with respect to what the cost of wind energy is, I would respond, what are the policy barriers going to put on to wind energy as far as added cost? It's a key issue that needs to be addressed by the government. I know it's not something that's specific to Bill 100, but there are other areas we need to go after, to address. There are environmental assessment thresholds, distribution tariffs. A real key one that's going to be coming up is the discussions around transmission, charges, distribution tariffs and that kind of thing. So we need to absolutely go and tackle those.

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If I can conclude, the Canadian Wind Energy Association supports the general outline of Bill 100 and where it's headed with the development of the Ontario Power Authority, minister's directives and the ability to have two separate suppliers of power: one green and another one being the standard supply. These are all critical things to the development of wind energy, and they have simply not been available to the government in the past. Bill 100 solves those, but I will also say that we need to be very diligent in the development of our regulations and other policies that support wind energy. All of those pieces need to fall into place, and if they do, we can have a new and sustainable electricity supply with significant supply from a new source.

The Vice-Chair: Thank you, Mr Estill. We have about 10 minutes remaining. We can divide it three ways. We'll start with Mr Hampton.

Mr Hampton: Can you respond to this question? It's one that is raised whenever you suggest to somebody who's been involved for a long time in electricity provision, "Wind is something we should really move on." They'll nod their head and say yes, and then they'll say, "The problem with wind is your greatest provision of wind energy happens in the fall and in the spring when our demand is the lowest, and the provision of wind is likely at its least in the hot days of the summer and the clear, cold days of the winter." As a proponent of wind energy, how do you respond to that?

Mr Estill: I hear that a lot from utility types and so on. The utility often says, "Well, wind can't supply all of our energy." The one response I have is, "I agree." Guess what? Neither can nuclear. I guess water power maybe could, but not in Ontario; we probably don't have enough. There is no one source that can supply all of our energy, so it's part of a diversified portfolio of energy supply. The fact that it can't supply all of your energy does not mean that it should provide none of your energy, which is the current situation. That would be the first response.

The second one is, "We need to learn more about the correlations." We're finding that the correlations on summer days—a lot of the hot summer days are fairly

windy because heat creates thermal activity. So there could very well be stronger—in fact, I know for certain that you have more production during the day in the summer. Granted, it's not a huge source of power, and it's not correct to say that the biggest production is in the fall and spring; it's actually in the winter. So it does correlate very well with the winter load.

The IMO forecast for power demand in a given hour in the winter adds 15 megawatts for every kilometre-per-hour increase in provincial average wind speed, however they calculate that. If you think about that, if you have a 160-kilometre-an-hour storm, you can put 900 megawatts of wind into place just to accommodate that increase in load that occurs in the winter on a regular basis. So I think when you combine it with water power, the need for a diversified portfolio, certainly a good chunk of wind makes a lot of sense. Other jurisdictions are doing it.

Mr Hampton: When you talk about wind supplementing water or working in combination with water—I've heard that expression when I've talked with some folks in other provinces—can you explain what you mean by it?

Mr Estill: Essentially, when the wind is blowing, you can shut down the dam or let less water run through the dam basins.

Mr Hampton: Shut down your water turbines and store it.

Mr Estill: Right, shut down your water turbines, allow the water to accumulate behind the dam. When the wind stops blowing and you have more water, more head, more power output, let it run through. So it's just a matter of balancing the load.

They do this in the system all the time anyway. When a reactor goes down, they're bringing in imports or they're turning on coal plants, firing up gas plants and all the rest. So in the normal course they accommodate ebbs and flows in things.

What is unequivocally wrong is to say that wind makes no contribution because it's not something you can turn on and off. Because, guess what? You can't turn nuclear on and off either. It's on all the time whether you need the power or not.

Mr O'Toole: We're all, as Howard has said, very interested in renewable things. It's a matter of its being dismissed as an intermittent power source or some other general term.

The industry—that's you and the Canadian association—needs to do more to convince the public. Even in the Alberta experience with Pincher Creek, it's my understanding that the purchaser is the transit system.

Mr Estill: Yes, in Calgary.

Mr O'Toole: They buy a power purchase agreement with the transit authority. They buy all their electrons for the grid. That's what you need to do. How about just a simple case of doing a survey, a poll, to say, how many people are willing to pay 10 cents a kilowatt for green energy? That's the pertinent question here, and the economy of scale will allow you, over time, to be competitive.

I'm sure that—who wouldn't be investing in themselves? Is that something you've done or haven't done?

Mr Estill: There is a poll that I'd be glad to send you the results of. I'll send it to you, and you can take a look at it, but the response of people is that they are willing to pay extra. The interesting thing about Ride the Rails is that's against market rules in Ontario. Nobody can bill TTC or anybody else for green power under current market rules.

Mr O'Toole: But that's being taken care of now.

Mr Estill: We're hoping, yes.

Ms Wynne: I'm wondering if we could all see that. It would be helpful that you send it to committee.

Mr Estill: Certainly, I'll send it.

Ms Wynne: That would be great. Thanks.

On page 6, the policy barriers you identified, I want to just ask two questions about that. Are you in conversation with the ministry on these issues? That's the first question. Secondly, you talked a little bit about the property tax burden. Is that the biggest barrier, or are they all equal? Are they weighted, or is there another one that you would say is a major hurdle?

Mr Estill: Certainly property tax is a big one. There's uncertainty around it, and it's particularly important that that be solved quickly because, with the upcoming RFP, people are going to be submitting bids without knowing what the property tax assessment method is. We know Finance is thinking about changing it from the way it is to something that is more reasonable, and they need to get that out prior to August 25, which is the RFP time.

Ms Wynne: That goes partly to answering my first question, which is you know that there is some movement, that there is a conversation going on.

Mr Estill: There's a conversation, yes.

Ms Wynne: But there's an immediacy to it.

Mr Estill: There's an immediacy to that one in particular, so I would certainly put that as one of the top ones.

Ms Wynne: Can you flag any of the others for us?

Mr Estill: I think, certainly, the transmission strategy and transmission connection rules is a big one, and it's a complex one. I don't think anybody has the answers to that. There needs to be quite a bit of dialogue, but that would be the second very large one. There's going to be discussions. The ministry and, I think, the OEB have announced that they're going to have discussions in the fall regarding transmission strategy and transmission rules. I think it's important that we get that one right.

Again, it's an issue of we don't want inadvertent consequences. I'm sure that when they introduced Bill 210, they had no concept that that would kill the potential development of a green energy market. That was not the intention of it by any stretch of the imagination. It was the effect. That's why we feel we need an advocate within government that can watch for policy initiatives and make sure that the policy initiatives are compatible with developing a renewable energy strategy.

Quite frankly, one of the challenges is that the wind industry in Ontario is very tiny. We're stretched to the

limit, and the people involved in the Ontario caucus are all volunteers. So it's difficult for us to be engaged with the ministries like some of the larger associations that have 40-year histories of generating power in the province.

Ms Wynne: OK. I just wanted to be sure that your understanding was that there was a conversation going on about these things, because that is my understanding, and we have asked about a number of these things.

Mr Estill: Keep asking.

Ms Wynne: Yes. Thank you.

The Vice-Chair: Thank you, Mr Estill. It was a wonderful presentation.

JOHN WILSON

The Vice-Chair: I'm asking now for the second deputant, John Wilson, to come forward.

Mr John Wilson: My name is John Wilson, and I'm a professional engineer with 40 years of education and experience in the Ontario and American electricity industries. This experience includes working for utilities and working in manufacturing, design, research and projects—working in generation, in transmission and distribution. I was part of a negotiation that broke up Ontario Hydro into its successor companies, and I also sat on the board of Hydro One.

Electricity is extremely important. In Ontario, not having affordable electricity would shorten lives and cause hardship. Although electricity is extremely important, it's often difficult to see its cost. The cost is much greater than the amount that you see on your bill. The money you pay on your bill is like the small part of an iceberg floating above the water. The biggest part of your cost is made up of the money you pay to help other people pay their electricity bills—the large, unseen part of the iceberg floating below the water.

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You help other people pay their electricity bills when you pay for a cup of coffee, a loaf of bread and a load of clothes at the laundromat. Everybody needs to pay electricity bills.

Electricity increases cause cost-driven inflation, which drives up interest rates. It forces you to pay more for credit card purchases, bank loans and mortgages. When Ontario opened its electricity market in 2002, the August increase added 0.2% to the Canadian consumer price index, raising the cost of living from Newfoundland and Labrador to British Columbia.

Unlike other products, electricity touches every sector of the economy. Because electricity increases costs everywhere, most people are unaware of its total cost. Many of us recognize that it is getting harder to get by, but we don't always know why. The cost of electricity, if we let it grow, will sink Ontario's economy.

The biggest problem with Bill 100 is that the Ontario Power Authority would have the power to sign contracts for electricity when the market doesn't supply it. This would cause a handful of big problems: (1) Risk and cost

are transferred from suppliers to consumers; (2) Ontarians don't want private deregulated power; (3) the government doesn't have a mandate; (4) private deregulated power doesn't work; and (5) deregulation would activate free trade agreements.

(1) Risk and cost are transferred from suppliers to consumers: Risk and cost would be transferred to consumers through government contracts. These contracts would underwrite a non-working market. We shouldn't subsidize a non-working market; we should shut it down. As Premier McGuinty said when he was in the opposition, the electricity "market is dead." Now is the time to bury the market, not pass Bill 100 to underwrite private sector risk.

All sitting parties know the pain that previous electricity contracts signed on behalf of the government have caused and are still causing consumers. The C.D. Howe Institute and others have advised the government against signing electricity contracts to build generation when the market won't build generation.

(2) Ontarians don't want private deregulated power: Ontarians have indicated that they want public regulated power, not private deregulated power. They have indicated this in poll after poll, in municipal and regional council votes representing a majority of Ontarians, in public meetings, and by the vote on election day when they rejected the Tory electricity deregulation program. In our democratic society the government should represent the will of the people on issues involving an essential that is as important as electricity.

(3) The government doesn't have a mandate: The McGuinty government doesn't have a mandate for deregulated private electricity. Dalton McGuinty said the electricity market was dead and campaigned saying he supported public power. Without a mandate, no Ontario government has the right to permanently move from public regulated power to deregulated private power. This isn't some small change that can be made without the support of Ontarians.

(4) Private deregulated power doesn't work: Continuing the market and adding more private contracts forces consumers to pay more big profits and high borrowing costs for electricity. This causes economic devastation by raising the cost of all of Ontario's goods and services.

Most of us are willing to pay competitive prices for non-essentials such as restaurant meals. We are willing to shop around until we find the cuisine and the price we want. And if we can't find what we want, we can all eat at home. Essentials are different. Buying affordable competitive electricity can present us with difficulties, and most of us can't readily make our own electricity.

"Competitive electricity" is a euphuism for unregulated prices. It means that producers can charge prices that are as high as possible. For decades, Canadian provinces and American states have had non-competitive electricity prices. Non-competitive electricity pricing, known as regulated pricing, pays producers reasonable returns based on their investment and performance.

Reasonable returns are determined by a regulator with the authority to examine a company's financial records and behaviour. This helps reduce waste and outrageous behaviour. The regulator also uses public hearings with participation by stakeholders, such as consumer and environmental organizations, to make decisions.

In the mid-1990s a handful of states and provinces moved to competitive pricing. Dozens of others began to follow them. Then, so-called competitive prices soared in California, New York, Alberta, Ontario and elsewhere. Viewing the devastation, more than 20 US states shelved their programs for competitive pricing. Today, all states and provinces using competitive pricing, including Ontario, have much higher prices than they did before competition. These jurisdictions also have prices that are much higher than those of comparable states and provinces that didn't introduce competition.

The Consumer Federation of America is an organization that typically supports competition. However, Dr Mark Cooper, the federation's director of research, has completed two comprehensive economic studies that demonstrate that competition requires consumers to pay more for electricity than they would pay with regulated pricing. Many other studies support Cooper's findings.

(5) Deregulation would activate free trade agreements: The government's proposed electricity program would activate the North American free trade agreement, NAFTA. This would force us to be a permanent part of the high-priced American electricity market, just as we currently are for gasoline, oil and natural gas. This market could easily double the electricity costs on your bill and the bills of everyone else. The electricity iceberg would grow big enough to devastate much of the provincial economy. If the government doesn't close the market, NAFTA will permanently entrench high-priced, unregulated private power in Ontario. NAFTA mandates that provinces that institute competition must open their markets to American competition. In addition, NAFTA would remove export controls, even when there were shortages in Ontario.

Leading Canadian lawyers, including Steve Shrybman of Sack Goldblatt Mitchell, have provided legal analysis to detail the devastating effects free trade agreements would have on Ontarians if the government proceeds with deregulated electricity.

I have two very important questions for the government and for its representatives on this committee: (1) Does the government have a legal opinion about the effects that free trade would have on its proposed electricity program? (2) If it has such an opinion, will the government make that opinion public?

In a March 31, 2004, Ipsos-Reid poll, most Canadian respondents, including 93% of 385 Ontarians, opposed a US-Ontario electricity market that doesn't allow for stable prices and environmental protection. Those polled indicated people were willing to place restrictions on exports and foreign ownership to achieve these goals. Free trade agreements don't allow export and foreign ownership restrictions.

In conclusion, I call on the government to listen to Ontarians and change its proposed electricity direction. Electricity cost is an iceberg. It can grow big enough to sink Ontario. Ontarians don't want risk and cost transferred from suppliers to consumers. Ontarians don't want deregulated power, and they know it doesn't work. Ontarians don't want the government to act without a mandate. Ontarians don't want to activate free trade agreements and be part of the high-priced US market and lose control of their electricity.

I call on the government to listen to Ontarians and to fully regulate electricity prices.

Thank you for your attention. I'll try to answer any questions you have.

The Vice-Chair: We'll start the questions with the opposition. Mr Hampton, do you have any questions?

Mr Hampton: I want to ask you about the point in terms of the North American free trade agreement. As I understand it, if you have a public, not-for-profit system, there's a specific provision in NAFTA that says you are exempt from the kinds of provisions that now govern the sale of natural gas and the sale of oil. I think we all recognize now that our natural gas prices are determined in Chicago, basically by American demand. So as long as you have a public, regulated system, you are exempt from those free trade rules. But I also understand that once you declare your system to be a deregulated system and a profit-driven system, you are then subject to all the NAFTA rules. I think you mentioned two of them: (1) even if you're short of electricity in your own jurisdiction, you can't place an export limit, and (2) you can't put price controls on. If people in Chicago or New York are prepared to pay one and a half times as much as we are prepared to pay for electricity, then that's the price you pay. Is that how you understand the problem?

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Mr Wilson: That is how I understand the problem. I think it's incumbent on the government to produce its legal opinion on how NAFTA is going to affect their electricity program and to make that opinion public.

We also know that in NAFTA, under chapter 11, large American corporations will have an advantage over Canadian groups, because those companies can sue for any unrealized profits using secret, confidential NAFTA tribunals. If the government changes the rule, they can be sitting in front of a NAFTA tribunal, in seclusion, having three different people there, making a call worth billions of dollars on expropriated profits.

NAFTA is riddled with all kinds of things. We've come to accept that the gas in our cars and the heat in our homes are now determined by the American market, but I do not believe that Ontarians want their electricity, which actually outweighs those other fuels in terms of its effect on the economy, to be part of an American market that is grabbing as much energy as it can get its hands on right now.

Mr Craitor: John, I was interested in listening to your comments about the legal opinions of leading Canadian lawyers. I'm wondering if maybe you wouldn't mind

submitting to the clerk a copy of that for all of us around this table. We'd have a chance to sit and look at it, read their comments and know who they are. That would be of assistance to us.

Mr Wilson: I can do that. Actually, I can do that with the assistance of Howard Hampton, who paid for one of those opinions.

Mr Craitor: That's a real coincidence. Thanks.

Mr Hampton: The former government wouldn't pay for it.

Mr Craitor: You had to help them out.

Mr Wilson: Actually, there are many opinions. There are books. Here are Professor Robert House, from the University of Toronto, and Gerald Heckman, a clerk of the federal court of Canada, on national treatment with regard to electricity in free trade: "A decision to move toward competition domestically necessarily entails opening up the domestic market to international competition as well."

I think it's incumbent upon the government to let us know if they have an opinion about the effects and to make that opinion public so we have a government that moves forward in a transparent and responsible fashion and the people of Ontario know what's going to happen.

The Vice-Chair: Mr Wilson, your time is up. Thank you for your presentation.

SOCIETY OF ENERGY PROFESSIONALS

The Vice-Chair: I would ask the Society of Energy Professionals to come forward and make their presentation. You have 15 minutes. You can use it all, or we can open the floor for questions. Before you start, mention your name for the record.

Mr Andrew Muller: Thank you, Mr Chair and members of the committee. We're really pleased to be here to talk to you today and present our opinions. There is a presentation that was copied and hopefully distributed, or is being distributed now, as well as a document outlining as best we can the changes we see to the bill.

I have with me this afternoon Rod Sheppard, an executive vice-president of our organization and also an employee of Bruce Nuclear Power Development, and Bill Jones, an executive vice-president as well from our organization who is an employee of Connectrix, which is the company that was spun off from the Ontario Hydro research arm. I myself am an employee of Ontario Power Generation, working at Darlington, and have 12 years' experience working up at the Bruce Nuclear Power Development.

We are the Society of Energy Professionals. We represent 6,000 engineers, scientists and people like that in the industry. Our members come from successor companies to Ontario Hydro, as well as Toronto Hydro. So our members can be seen throughout the industry, in all areas of the business.

We design, build, maintain and run the generators, the transmission system and the market. We are the people with the skills and the knowledge to lead the industry and have been leading the industry for a number of years.

What we really want is for consumers, businesses and the public to get safe, reliable electricity at the lowest possible cost. We don't believe electricity is a commodity. We don't believe that the market structure is the best method for managing the electricity system. Last year about this time demonstrated to everyone that electricity permeates everything we do in our life and it's very important that we keep it well-balanced and operating.

I wanted to state that we think the changes the McGuinty government has made in this bill and even prior to this bill are very important for the electricity sector: fixing prices to protect consumers against price volatility, correcting the mismanagement of companies like Ontario Power Generation to put them on the right course, approving some very significant and meaningful generation projects to meet the growing demand—both the Beck tunnel and Pickering A, unit 1, for example—and finally, this legislation itself, which is designed to improve the system. We believe it will.

I won't go through in detail the purposes of the act; I'm sure you all read it prior to coming here. We just wanted to say that we firmly support the goals of the act. We're in complete agreement with the stated intentions, especially with the emphasis on long-term planning and management of supply and demand, the creation of a conservation culture, the promotion of cleaner sources of energy and electricity and protecting consumers from volatile prices. These are the kinds of things that government should be doing with our electricity system. This is where government should step in when the system needs fixing and arrange for the kind of generation mix that is good for all people in Ontario and protects consumers from price swings.

However, a couple of things in the bill concern us. Number one is with the Ontario Power Authority contracts that will result in the progressive, although perhaps unintentional, privatization of our electricity system. With Mr Wilson, who spoke earlier, we also believe that complaints filed under NAFTA and GATS can restrict the government's ability to retain control of the system and correct difficulties they find.

We're also concerned with the amount of authority vested in regulations under this bill that take it out of the public eye for debate and scrutiny; things like designating regulated generators, designating the kind of supply mix and so on. These are the kinds of things we think need to be publicly debated for the people of Ontario.

We're also quite concerned about the lack of a meaningful vision for Ontario Power Generation and Hydro One. These two institutions are the cornerstone of our electricity system. They need to have a key role. I'll talk about our recommendations in a few minutes.

Ultimately, what we're really concerned about with this legislation is that the prices are going to go up for electricity and that valuable publicly owned assets are going to be wasted.

We've listed six key recommendations we think ought to be implemented to improve the bill. I wanted to go through them quickly.

Number one, there needs to be a meaningful public role for OPG and Hydro One that establishes their participation in the electricity sector to ensure that they have the role to maximize the value of the assets that are owned by the people of Ontario. OPG and Hydro One hold these assets for the government of Ontario on behalf of the people. If these assets are wasted, they're wasted for each individual citizen in Ontario.

These public institutions are the tools the government should use to implement its social policies. It's quite appropriate that this bill be heard by the social policy committee, because that's really what it's about. Electricity permeates everything. It permeates every aspect of our life, and social policies are really what it's all about.

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In that role for OPG and Hydro One, OPG should be asked to pursue all practical hydroelectric projects that it has available on its books. There have been a number of studies. A number of these projects are at various stages. That could add as much as 2,400 megawatts of electricity capacity to the system.

OPG should continue to refurbish the units at Pickering A. They've completed unit 4. Unit 1 is on the way. Units 2 and 3 should go ahead as per the schedule.

In addition to that, Bruce Power, which, by the way, is a publicly owned but privately operated generating company, should be encouraged to refurbish the two remaining units at the Bruce, units 1 and 2, to bring another 1,600 megawatts of electricity to the system.

In the long term, both OPG and Bruce Power should be encouraged to pursue new generation projects such as new nuclear units on-site where it's most convenient to do so.

Also, OPG should be mandated to participate in aggressive demand reduction and other conservation programs. We've heard a lot about conservation today and we believe it's important that public institutions have a role in that.

Hydro One should be adequately funded to ensure that we have proper maintenance on our transmission lines so we don't have a blackout here like they did in Ohio.

Our second recommendation is that we add to the objectives of the bill that Ontario must be self-sufficient in electricity supply to secure our future. That doesn't mean we won't have connections to other jurisdictions. Those connections are important in cases of emergency and to maintain grid stability and so on, but dependence on other jurisdictions reduces our control and ability to implement our objectives. As the minister said this morning, those connections to other jurisdictions caused us to import a blackout last year.

Our third recommendation is that all new generating and transmission facilities be publicly owned to guarantee our control. Currently a majority of the assets are publicly owned through OPG and even Bruce Power and Hydro One. That ownership guarantees our control. It

enables the government to pass legislation such as this bill to keep the system under our control. It also ensures that the benefits go to the people of Ontario.

The society has commissioned an objective international study on the effects of this legislation on our electricity system. This study is going to be released on August 23. We've asked the author of the study, Stephen Thomas, who is a professor at the University of Greenwich, to speak to the committee on that date. We hope he has been scheduled.

Our fourth recommendation revolves around transparency. The contracts that OPA makes with the various suppliers are going to have a significant effect on the price of electricity. Therefore we think it's very important that sufficient details of those contracts are made available to the public so they understand how they affect the price of electricity. We're concerned that the heritage assets, as they're called, of OPG are going to be used to blend in with the price of electricity and hide the high rates that could be charged by some of these private generators. We believe transparency will allow the government to demonstrate their stewardship of the system and allow the public to hold the government accountable for their performance in that regard. The public has the right to know how much they're paying for generation and they need to know that by finding out about these contracts.

Also, in the regulated rates that are proposed by the legislation, we want to make sure the rates are set to include adequate funding for OPG and Hydro One, not only to maintain the existing system but to improve its reliability and performance. The current market power mitigation agreement, which in essence does the same thing as a regulated rate for Ontario Power Generation, doesn't provide sufficient funding for OPG to adequately maintain and improve its assets. The market power mitigation agreement has caused OPG to rebate almost \$3 billion to the market to date—revenue that could have otherwise been used to help pay for refurbishment.

Finally, we call for the government to create a multi-stakeholder task force to make recommendations on a responsible transition away from how we currently use coal for electricity generation and on alternatives for significantly reducing air pollution. We share this government's objective of reducing air pollution; however, coal-fired generation provides a critical function to the system. Not every megawatt is equivalent. We have peaking power. We have baseload power. We need different types of generation, as people have talked about, and supply mix to keep the system operational.

Coal power, as the Electricity Conservation and Supply Task Force reported, keeps the market price low. Fifty-six per cent of the time, coal set the price for the market in electricity, and set it far lower than other forms of generation would have if coal didn't exist.

There are also proven methods of substantially reducing the emissions from coal stations. We already have some of those systems installed on some of the coal-fired units in OPG. The cost of coal replacement may be better spent on more significant ways of reducing

pollution. I'm sure you've all heard studies that demonstrate that coal-fired pollution in Ontario is only 14% of the source that supplies pollution. Fifty per cent of our pollution comes from outside of Ontario, primarily the Ohio Valley.

We think that this task force wouldn't change the government's objective and commitment, but instead would ensure that all options have been considered and that the transition away from the current methods of burning coal doesn't jeopardize our system. We think that the government's commitment to close down the coal-fired stations won't do enough for cleaner air to justify the damage it will do to the system and its reliability and the prices that will result as we begin to rely on natural gas. The government should set up this task force to explore the alternatives, and we'd like to participate in that effort.

That's the end of my presentation. I'd be happy to answer questions.

The Vice-Chair: Thank you, Mr Muller. We have a couple of minutes, if somebody wants to take advantage of that. You can ask one question. Go ahead, Mr Hampton.

Mr Hampton: I've had a chance to look at all of your submissions, and I want to thank you for being very comprehensive in dealing with virtually all the issues. I also want to congratulate you in that you set out how you would meet our electricity needs: maximizing hydro-electric resources to meet baseload demand; building more nuclear generation to meet residual baseload demand; the maximization of Ontario wind power resources; and the integration of wind energy into the grid on a must-run basis. I want to be sure of what you mean. What does a "must-run basis" mean to you? When you set this out, what are you referring to here?

Mr Muller: The bottom line for this is that to manage the power in the grid, you obviously have to match supply with the demand for electricity, and so as the demand goes up and down and people turn their appliances off and on, you need to be able to adjust that. If you're running wind-powered generators, they can't easily be ramped up and down to match the load. As wind changes, they may be increasing their output as the demand is falling, so you need to have some other source of generation that you can back off, to ensure that you're matching that demand at all times. So you'd run wind power on a must-run; in other words, you'd take whatever output comes from that and you would choose another source, such as hydroelectric or coal-fired, to—

Mr Hampton: Adjust.

Mr Muller: To fluctuate, yes.

The Vice-Chair: Thank you, Mr Muller. The time is up, sorry. Thank you for your presentation.

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ONTARIO ELECTRICITY COALITION

The Vice-Chair: I call on the Ontario Electricity Coalition to come forward. You have 15 minutes. You now know the procedure. You can speak all the way

through it or you can divide it between speaking and questions.

Mr Paul Kahnert: Thank you very much. My name is Paul Kahnert. I'm spokesperson for the Ontario Electricity Coalition. I want to start by saying that there are some fundamental questions that you have to answer, the biggest of which is this: Is the government direction on electricity in the public interest?

It seems like yesterday, at the Bill 35 hearings in 1998, that we asked this question: How do you get cheaper electricity prices when you add in profits to generators, profits to distributors, profits to retailers, dividends to investors and commissions to commodities brokers? Steve Gilchrist replied, "Increased efficiencies."

Since then, the term "increased efficiencies" of the private sector has been shown to be not quite completely true. Competition and market discipline in electricity have been shown to be market manipulation, and, boy, did the money ever flow. Companies like WorldCom, Nortel, Corel, Andersen—now called Accenture—and Enron have ripped off the public for billions.

Enron and their friends sat on the market design committee here in Ontario. That market is still open. There hasn't been an electricity market that has worked or operated in the public interest anywhere in the world. We challenge you to show us one. Markets operate in the private interest only. That's their playground.

On April 15 of this year, in a speech to the Empire Club, Energy Minister Duncan laid out the plan for Ontario's electricity future. He said that he wasn't ideological and that his was a balanced approach. However, his main solution seems to be private power. His primary goal was to welcome private investors and create conditions that would give them the confidence to invest. He's going to give the newly created Ontario Power Authority the tools to attract private investment. That's code for big grants and tax cuts of public money going into private hands to build new power plants.

If the people of Ontario are paying for these new plants, shouldn't they own them? Minister Duncan finished his speech by saying that he's going to make "electricity a great place to invest." Who's going to be paying the profits to those investors? If that isn't ideological, I don't know what is.

During the provincial election, Dalton McGuinty and the Liberals went out of their way, in an exclusive to the Toronto Sun, and promised public power. In many speeches, Mr McGuinty said that the electricity market was dead. At the Empire Club, Minister Duncan committed to keeping that market open. Why are the Liberals keeping open a market that was designed by Enron and their friends?

Duncan said a number of times that the people have to pay the true cost of power. Traditionally, the true cost of power in Ontario does not include all that great list of profits. What Duncan should have said is that the people now have to pay the true cost of private power.

Public power is cheaper than private power around the world. It's 18% cheaper than private power in the United States. Why would we be any different?

We've been hearing, every time the energy minister speaks on TV, the radio and in the newspaper, about investor confidence and the private investor. Well, that must be it. That's what's been missing from Ontario's electricity system for 100 years: the legendary, elusive, private investors. Only they can save us. If we just allow them to stuff their pockets with so much money that they literally can't stuff another \$20 bill into their pockets, we will get increased electricity supply in Ontario. It sounds a lot like the Conservative creature, the missing mythological market where so many private electricity companies would rush in and build new supply that we would have cheap, plentiful electricity. It's as ridiculous as believing in the tooth fairy.

Private owners will still have to borrow a lot of money to build new generation. Private borrowing is a lot more expensive. Guess where those increased costs will be passed on to?

Private corporations do not act in the public interest. Their primary goal is to maximize profits. Only governments can act in the public interest.

Why, then, are we seeing with each succeeding government the packaging and repackaging, trying to make privatization attractive to voters? It is a con; it is a scam. Just like the con man who moves from town to town and country to country, the privatization con man is here in Canada.

There isn't a shred of evidence anywhere in the world that adding in profits to non-profit public services like hydro is cheaper and more efficient—not a shred of evidence anywhere.

You've all seen the latest with privatization repackaging, its identical twin, public-private partnerships: P3s. Maybe we should call them P5s: public relations and publicity ploys to pretty up profit.

Let's look at conservation. Minister Duncan just announced another \$900 million to restart another reactor at Pickering for 515 megawatts. He said that this was the fastest way to solve the electricity shortage. That just isn't true.

California spent \$900 million on aggressive conservation measures and got 3,600 megawatts. Conservation, including a renewable portfolio standard, is the fastest, cheapest and cleanest way to solve our electricity problems. Right now, we're back up to the same electricity use that we had before the blackout. Why is the government not legislating aggressive conservation measures that have been done in other jurisdictions around the world? Private producers of electricity will not be very interested in building new supply if there are legislated, aggressive conservation measures. That would cut into their profits.

It would be much easier for the Liberals to close the coal plants if they legislated aggressive conservation measures. Instead, we've got C3s: cotton candy conservation measures. People are being distracted with smart meters. Smart meters do not use less power; they shift power use around. They are a great excuse to blame the victim: "Your hydro bill is too high because you're simply not using it properly."

Let's look at the nuclear situation for a minute. John Manley says that leasing the Bruce nuclear plant to private firms is a model that has worked. More nonsense. What happened at the Bruce is this: The government privatized the profits but kept public the debt, the risks and the pollution. It was a fabulous deal for the private companies but a rip-off for the people of Ontario. The profits at the Bruce are almost equal to the debt caused by the electricity market and the rate cap.

The Bruce was given away for almost nothing. The debt was hived off to the public and appears on your hydro bill as a debt payment. The risk is assumed two ways by the public. Everyone knows that if there's an accident at the Bruce, the company is on the hook for only \$75 million. The standing joke is, that wouldn't even cover the lawyers' fees. When the lease expires in 16 years, the Bruce consortium and their billions will simply walk away and the people of Ontario are left to pay the billions in the cleanup at the nuclear plant. It cost billions to build it. It'll cost billions to take it apart and store the radioactive waste, which has to be stored for longer than human beings have had language. Is this a deal you want to repeat?

Municipal utilities have had their mandate changed from providing a reliable public service to maximizing profits. I can tell you firsthand what that's doing to people and businesses. Previous to 1998, the 306 municipal utilities were mostly debt-free and well run. After deregulation and amalgamations, the remaining 89 are loaded up with debt, and service and reliability are seriously deteriorating. I've worked at Toronto Hydro for 25 years and I'd be happy to take anybody around the city and show them just what deregulation and privatization is doing to the actual electrical system infrastructure in Toronto.

At Toronto Hydro since 1998, outage times have tripled, badly needed projects have been stopped, maintenance has been stopped and the salaries of the top executives have tripled and quadrupled. We are often told not to fix things because it's too expensive. We've been doing rotating blackouts for the first time in the history of Toronto in emergencies because of a lack of maintenance, and I can document this. This same pattern is being repeated across the province. Amalgamations have been a complete failure, when it comes to the public interest, and do not deliver any benefits.

The Ontario Electricity Coalition is on the public record as accurately predicting every problem with deregulation and privatization. We stopped the sale of Hydro One in court with our coalition partners CEP and CUPE. We've spoken hundreds of times around the province. We got 42 cities, including London, Windsor, Ottawa and Toronto, representing more than seven million people in Ontario, to pass resolutions against privatization. All the polls show overwhelmingly that people are against the privatization of hydro.

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As a result of our campaign here in Ontario, we've been invited to speak in conferences in Mexico, Spain,

France, Morocco, South Korea and Greece. We're going to Greece in September. We have also been visited by delegations from South Korea and South Africa, delegations that included government members.

We heard the same script for privatization at every conference. It is being followed worldwide. First, governments created a crisis of debt and supply, and then present privatization as the only solution. The governments then broke up the assets into smaller pieces and privatized the profits while keeping public the debt, the risks and the pollution. This was repeated in 70 countries around the world.

The people of Ontario, including most small, medium and big businesses, do not want private power. They want a public power system. They want transparency, as we all hear, and accountability, but most of all they want good governance and good management. Private power is hugely inflationary, as you heard John talk about before, affecting every other facet of our lives. Health care and education will cost more, and all goods and services. And as you heard, your hydro bill will just be the tip of the iceberg.

Private owners will endlessly pressure and lobby the government for price hikes, for rate hikes, to boost profits, and, just like Highway 407, we will lose control over our electricity prices and supply. We'll never get them back; NAFTA will see to that.

The Conservatives were privatizing at 300 kilometres an hour and the Liberals are privatizing at 50 kilometres an hour, but they're still taking us to the same destination: expensive private power.

We heard for years and years that we just can't afford public power any more. Well, as we've seen around the world and right here in Ontario, if you can't afford public power, then you sure can't afford private. It's way more expensive.

I want to ask a couple of questions. This first question I asked Chris Stockwell, and when I asked him he got angry and got up and left the room: What if the government's plan for electricity doesn't work? Given the fact that electricity markets and privatization have not been a benefit to people anywhere, what is the government's plan to buy back our electrical systems?

Number two, how is it a credible position for the government to be promoting huge profits, in the billions of dollars, to be taken out of the province by the private investor and private corporations? Why not keep those profits here to pay for the debt and to pay for things like education and health care?

Those are my comments. I'll be happy to take any questions.

The Vice-Chair: I'm sorry, the time's up. There is no time for questions. There's probably one minute left. I use my watch here. Thank you for your presentation.

CUTTLE AND ASSOCIATES

The Vice-Chair: I would like to invite Cuttler and Associates to come forward. Dr Cuttler, you have 15 minutes.

Dr Jerry Cuttler: Good afternoon. I'm Jerry Cuttler. I'm a professional engineer and a scientist. I have more than 40 years' experience in nuclear engineering and radiation sciences.

The majority of Ontarians support increased use of nuclear energy but the government of Ontario seems reluctant to proceed. Ontarians are getting nervous about the likelihood of blackouts. Nothing works without electricity. Part of the reluctance is due to widespread misinformation about nuclear, about its environmental capabilities, its sustainability and even social acceptance.

Uranium mining and processing follow all the environmental regulations. Nuclear plants operate under all regulations. The soil, the water and the air around our nuclear plants are very clean, and the emissions of radioactivity are typically 100 times below the limits. The used fuel bundles are safely stored in steel containers at the nuclear sites.

What about the used fuel? Well, the volume of the used fuel that's accumulated after 30 years of supply of a large amount of electricity in Ontario is very small. You can put it in ice rinks up to the boards—five of them, I guess. But we keep them in steel and reinforced concrete containers. Those will remain leak-tight for thousands of years.

Well before then, future generations are going to recycle this used fuel in advanced reactors, because we only use 1% of the energy that's in that fuel. There's 100 times energy still remaining in that fuel.

In these advanced reactors, we can load-follow. That way, we can even replace the fossil plants. We always talk about nuclear baseload and fossil, gas, whatever, for peaking but, actually, nuclear power can load-follow. The nuclear-powered ships load-follow, and all the energy that's used in the ships is provided by nuclear reactors. These advanced reactors will also turn long-lived radioactivity into short-lived radioactivity, and the amount is really negligible compared to the natural radioactivity that's in the environment.

Now let's look at sustainability. I brought with me one fuel bundle, if I can get it out. It's in here somewhere. Here. It's not real. It weighs 50 pounds. It will provide 100 years of electricity for a household, and this is all the waste that comes out of that. One hundred years is really very sustainable, and we only use 1% of the energy that's in there. Future generations, our grandchildren, are going to recover the other 99%.

At current prices, the amount of uranium that we can mine on the surface will last thousands of years, but people say, "Well, that's not sustainable." With advanced reactors, it'll be economical to extract the uranium from the oceans and supply 10 times the present electricity for billions of years. The earth has been around for four and a half billion years, and I am not sure whether we're going to be around for another five billion years, but certainly it's sustainable. So the fission of uranium is a renewable energy source.

Now let's talk about social acceptance. That's really what we're here about. Ontarians have accepted nuclear

energy for over 30 years. In the early 1990s, we supplied two thirds of the consumption. There are a minority of activists who were trying to discredit nuclear, and we had a government that damaged Ontario Hydro capabilities. Some criticism is deserved. Darlington should have been managed better. Agreed. Ontario Hydro had management problems and these are being corrected, but there are many companies that have management problems. We can look at Air Canada, we can look at others. It's not a new phenomenon.

Many nuclear projects have been very well managed. We have the example of the CANDUs in China. Many reactors are being well managed in the world, and they're operating at a very high capability. People will argue there are technical problems. Well, we have good solutions. This technology is relatively young and over 30 years we've identified technical problems. It's remarkable it has worked as well as it did, considering the newness of this technology, but we have good solutions to those technical problems.

Now let's look at capital costs. Current plants cost \$2,000 for a kilowatt of power. Plants will last more than 25 years before they need to be refurbished. Look at an Ontario home. We use approximately a kilowatt of power, so our share of that plant is really \$2,000. Now \$2,000 is what I paid for a gas furnace not too long ago—10 years ago I paid \$2,000. A gas furnace is analogous to a generator except it's not in my house; it's at a nuclear site. So I'm saying that nuclear is affordable. I only use my gas furnace for the winter. I'll pay \$2,000 to put electricity in my home and I'll only use that for a few months in the summer. Here we have electricity being provided year-round and our share of the cost is only \$2,000 for an average household.

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If we put a stable floor on electricity prices, I believe financial institutions will invest in nuclear. Right now, as in the example in Britain with British Energy, the arrival of very low-cost fuel from the North Sea really put a significant amount of risk in nuclear generation. The company went bankrupt. People don't want to invest if they're not sure what's going to happen.

We have future plans. Talking about capital costs, an advanced CANDU reactor will cost even less than what current plants cost, and nuclear operating costs are very competitive with fossil. The main reason is that nuclear fuel is very inexpensive.

Let's look at the safety issue. Definitely everyone talks about nuclear risks. Well, after 30 years of experience, nuclear power is a very safe generation method compared to other methods. Public exposure to ionizing radiation is a very small fraction of the radiation exposure we get from natural sources. After 100 years of research, we know the level below which no adverse health effects occur and we keep employee exposures below this level. We even have a large amount of evidence of beneficial health effects after low-dose rates, and these beneficial effects amount to reduced risks. The interesting thing about low doses of radiation is that they

stimulate the damage-control biosystems in our body and make us even healthier.

In conclusion, my recommendation is that for greater social acceptance, we ought to share factual information with the people of Ontario about nuclear: its environmental benefits, its sustainability and its safety. The antinuclear myths are misleading people and creating confusion and resistance against the increased use of nuclear energy to help supply our growing need for electricity. Thank you.

The Vice-Chair: Thank you, Dr Cuttler. Ms Wynne has a question for you.

Ms Wynne: Thank you for coming. I just wondered, since you didn't talk about Bill 100 in your presentation, would you like to comment on the bill, which really is a framework, as opposed to—

Dr Cuttler: It says a lot of the right things in there, but when I read over these concerns that are being raised about sustainability and alternatives, I get the feeling the government is reluctant, with the energy that's provided by our current power plants. What I'm trying to suggest is that nuclear energy, which is providing a significant fraction of the energy today and used to supply two thirds, can be brought up to two thirds again and even more.

Ms Wynne: I don't share your view. But, for example, in terms of the conservation bureau and the structures we're putting in place to move us forward into a different regime in terms of energy in this province, could you comment on the need for conservation and the incentives, the structure that's been put in place in Bill 100?

Dr Cuttler: I think most people in Ontario try to conserve. We look at our electrical bill and say, "Oh, my God, it's gone up double what it used to be a few months ago." We look around to see how we can use less electricity. My wife turns on the air conditioner and I go and turn it off. I say, "That's costing a lot of money. Open the windows. Do something different."

Ms Wynne: So you think it would be a good thing to have a focus in the province that would have a pricing structure and would encourage people to conserve. Is that a safe statement?

Dr Cuttler: Yes, I agree that we ought to conserve, but some of the other options we're looking at—for example, windmills. Windmills are cute but they're a recipe for blackouts because they are inherently unreliable. I know people like it. It's only a capacity factor of 20% and it doesn't deliver when we want it. Steel mills have a real problem when a blackout happens; they really do. Germany has 14,000 megawatts of windmill electricity, we've heard here, but it only supplies 4% of their electricity. How can that be? They are importing most of their electricity, or a lot of the excess that they need. They're buying it from France. No one brings up the example of France. It supplies 80% of their electricity. Not only do they supply 80% of their own power needs, but they're exporting it to a lot of the countries

that are afraid to use nuclear because of political constraints.

That's the reality of what's out there. Let's look at reality, please.

The Vice-Chair: Mr O'Toole, do you want to ask a question?

Mr O'Toole: Yes. I appreciate the pre-work you've done for Mr Elston on this—I think he's the next presenter.

Dr Cuttler: I didn't do that for him. I did it for myself.

Mr O'Toole: I'm just being flippant, and I mean that respectfully; it is quite comprehensive.

What I'm interested in, though, is, when you mention nuclear, in the riding I'm from I don't think there's a lot of aversion to that as an energy source; I think it's the capital uncertainty. In the public sector, through political interference in most cases, not operational, they're over budget, whether it's Pickering, Darlington, or whatever. That's the problem.

Dr Cuttler: Well, we built Bruce Power on budget.

Mr O'Toole: If you look at Bruce, in fairness, their commitment in the contract, whether it was good or bad—the auditor and other reports say that some of the risk factors on the environmental side—they did bring it in on time, on budget, and that's what I want. I don't care if it's public or private; I want it on time, on budget and done safely.

Which do you feel is the most appropriate mechanism in nuclear—Bruce or the current public sector? I'll tell you why. When you look at the peer reviews, the safest nuclear plant in the world was the Tennessee Valley group. Is that not right?

Dr Cuttler: Let's get to the Bruce example. The Bruce project was built pretty much on schedule and on budget; the Darlington project had problems.

Mr O'Toole: Political.

Dr Cuttler: So there are examples where projects are well-managed and come in on budget or under budget and within schedule. And there are examples where it doesn't happen, and a lot of that's due to the human beings who are managing it. If projects are managed well, they will come in—and it's a problem; any company has to be managed well or they have financial problems. It's obvious.

For nuclear, we have a very good idea of what the costs should be to run a project, and we have new technologies, for example, that we use in China. Those new technologies can be used and it can be very predictable. What isn't predictable is what the price of electricity is going to be.

Mr O'Toole: That's fine.

Mr Hampton: I want to thank you for your presentation. I think the biggest obstacle that nuclear has in Ontario, and it's an obstacle it has to overcome, is once again the cost factor. Darlington was budgeted at \$4.7 billion and it came in at almost \$15 billion. So that was the capital side. But as well, when nuclear plants were first proposed for Ontario, what we were told was that

there would be very low maintenance, or the cost of maintenance would be very low. That also has proven to be untrue. In fact, I would argue that the costs of maintenance, if you look at Pickering, are fairly substantial.

Dr Cuttler: Let's get back to that—

Mr Hampton: OK. Let me ask the third part of the question—

Dr Cuttler: I don't get the chance to answer.

Mr Hampton: —then you can answer.

The third part is that when they were first built, we were told that they would be relatively long lived, yet I think people were surprised at how quickly Bruce needed major refurbishment and how quickly and how often Pickering has needed major refurbishments, all of which have been expensive. I think the biggest obstacle nuclear has to overcome in Ontario is—I don't think it's untrue to say that most of the old Ontario Hydro's debt, most of our hydro debt, was in fact nuclear debt.

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Dr Cuttler: How long does your furnace last in your house? They don't last 25, 30 years. Pickering lasted 25 years; it lasted 30 years.

Mr Hampton: But my furnace doesn't cost \$15 billion to build.

Dr Cuttler: No, no. Let's work out the household share. The problem is that you're looking at the big number and you're not looking at it per unit household. If you look at it that way, the cost is affordable. It's just that we can't keep a nuclear plant in our own house, in our basement, so we build it in a central place.

The other problem is, how long do you take to pay it off? If you pay off your furnace at just the interest rate, you'll have the debt for the rest of your life. But if you pay it off the way most people try to pay it off, it doesn't last for 20 or 30 years of debt. We've got to find a better way to finance and pay these off. People should be paying the right price for electricity.

I don't have much time to talk about this now, but I certainly have a lot of ideas that I think you ought to use to make this solution work.

The other problem you talked about was maintenance. When a person owns a car and doesn't look after it properly, it won't last. We all know that. Unfortunately, this was new technology. There were things we didn't know about. So there was a learning curve. Thirty years for this type of technology is not an extraordinary learning curve.

The other thing is that the effort wasn't put on life maintenance, life management and life extension. We've learned a lot of lessons, so I think today people have a better handle on what needs to be done to make these plants last longer. The interesting thing is that we can repair them, refurbish them, retube them and we can make them last not only the 30 years or so that we'd like them to last; we can make them last 60 and 100 years.

The Vice-Chair: Dr Cuttler, thank you very much. The time is up.

CANADIAN NUCLEAR ASSOCIATION

The Vice-Chair: I'd like to invite the Canadian Nuclear Association to come forward. You have 15 minutes, as we have said to everyone.

Mr Murray Elston: I'm Murray Elston, president and CEO of the Canadian Nuclear Association. I think you have copies of my material. Usually I just do a voice-over on this thing, but I'm going to read it fairly quickly, with apologies to translators. If I get too fast, I'll take a look at their ability to keep up.

I want to thank you for allowing me to be here. The Canadian Nuclear Association is pleased to offer input to help the government, as Minister Duncan says, "to get it right." In that context, the CNA will raise some questions that will require clarification.

We're all familiar with the requirement for more electrical power in Ontario. The province's prosperity and healthy standard of living are threatened as the constantly growing demand for power begins to outrun available supply. We need to move quickly to plan for and secure new energy sources.

By 2014, only a decade away, the Independent Electricity Market Operator, the IMO, tells us that up to 40% of today's generating capacity—that's 11,600 megawatts—will need to be met by new supply, refurbished generation and conservation measures. The minister has spoken of the need for infrastructure investment from both public and private sectors of up to \$40 billion over the next 15 years as part of an ongoing broader renewal of infrastructure in the province.

Planning for and installing substantial extra capacity that will produce affordable, clean electricity requires long lead times of several years. There are regulatory, environmental, construction and other steps along the way. It is important to put into place the rules and structure of the new model for our electricity system—the new model was sketched out by Minister Duncan in speeches made in the spring of 2004—but we also must get on with the urgent business of approving the various sources of tomorrow's energy supplies.

During the hearings, committee members must address several questions relating to the new electricity system as set out broadly in the Electricity Restructuring Act. I will speak to the key elements of the model outlined in the bill, but first allow me to outline a few general thoughts on the legislation.

Bill 100 establishes the Ontario Power Authority, the OPA, to ensure adequacy of supply, to develop an integrated power system and to set up energy procurement processes. The new power authority has the task of securing long-term supply through various energy generators. The bill addresses a perceived anomaly in the current system in that no single entity is responsible now for ensuring supply.

The OPA is being created as a not-for-profit, arm's-length agency. That leads me to inquire generally about the capability of the OPA to deal with financing issues. This is a key aspect of its mandate and needs to be made

clear. I know there were some discussions about that financial capability earlier today but it is not yet clear on the record.

To quote the minister, the government wants to send "a clear and unambiguous message that Ontario is a good place to invest." The OPA must be seen as having sufficient credit-worthiness so that investors will be able to line up the necessary financing for their projects. The OPA must have the ability, financially and legally, to undertake negotiations and execute contracts for electricity supply. The bill assigns responsibility to plan but it is not clear how the role will be carried out.

While much of the detail on how the various agencies and the market will function will come later, we must also know how the OPA will interact with other provincial and federal governments and agencies.

As with any new structure, the operation must be monitored to ensure effectiveness and efficiency and to ensure that it achieves its performance targets. "Getting it right" in this context means getting the right people in place with appropriate resources and authority.

From the point of view of the nuclear industry, there are several key elements that should make up the framework of a well-planned electricity system. A viable market infrastructure should include: (1) measures to ensure reliable electricity generation, (2) a stable electricity pricing regime with long-term predictability, (3) a realistic and open assessment of the choices or options for electricity generation, (4) an efficient and timely regulatory environment that fosters efficiencies between and among regulators, (5) measures that optimize economical electricity conservation, and finally, (6) a clear process by which the government of Ontario conveys its policy to the implementing agencies; that is, all of the agencies.

Under the bill, the OPA is responsible for making sure that Ontario's electricity supply is sufficient and that pricing is stable enough to meet the growing demand for power. The IMO has projected that power consumption will grow by 1.3% annually for the next several years.

It is worth underscoring that for more than 40 years nuclear reactors have been a stable baseload producer of electricity in Ontario. Operating reactors today generate about 45% of the province's power requirements. In simple terms, nuclear-generated electricity keeps the lights on in one of every two homes, hospitals, offices and businesses in Ontario. Having said that, decisions need to be taken very soon to ensure stable baseload generation will continue and grow to meet increased demand.

The Canadian Nuclear Association welcomes transparent assessment of electricity generation options. The industry knows that nuclear can compete with other options and choices.

At the government's request, Ontario's future energy mix will include more renewable sources of power, such as solar thermal, biomass conversion and wind-power energy production. We support the introduction of renewable energy technologies where it is economical to do so.

One necessary condition for increased renewable sources of generation is a strong baseload generating capability. More baseload generation makes it possible to include more renewable sources of electricity generation without putting system reliability at risk.

Let me add a few words here about the clean-air nature associated with renewable energy options. Such sources are often referred to as "green" producers. But nuclear reactors are also clean-air electricity generators. Reactors emit no carbon dioxide and none of the acid gases typical of fossil fuel plants. They are vital players in the worldwide campaign to reduce emissions.

In addition, Ontario's nuclear infrastructure is having a significant positive impact on people's health worldwide. Canada's nuclear reactors produce 75% of the world's cobalt-60, used to treat cancer, prevent disease and sterilize over 40% of the world's single-use medical supplies.

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A Pollution Probe report in 2002 noted, "Only nuclear technology has air emissions as low as renewable power sources." Pre-eminent biosphere scientist Sir James Lovelock regards nuclear energy as a "green" form of power that can have an immediate impact on reducing greenhouse gas emissions.

Renewable sources of power are not windfall panaceas that will instantly resolve our supply problems. Many countries around the world have wind turbines that make up part of their electricity supply. Capacity factors vary widely from country to country and year to year. But it is fair to say that a reasonable factor for wind turbines might be 20%, which means they might operate about 75 days a year at full power. In effect, this means you would need four times as much generating capacity from wind turbines to produce a similar amount of electricity generation from operating nuclear reactors.

Operating nuclear reactors in Ontario had an average capacity factor of 78% last year. One way of expressing that might be to say that nuclear units performed at full power, on average, for 285 days during the year. A single Pickering A reactor can supply enough power to light 350,000 homes—about the size of London, Ontario. In addition, steps are being taken to improve the operating capacity and efficiency of existing generators and to develop new, improved reactors for further generation needs.

A less-known story involves the excellent performance record of Canadian-designed reactors in operation outside the country. CANDU-6 reactor units, designed by Atomic Energy of Canada, have proven to be an amazing success. Three CANDU units in South Korea were among the top 10 reactor performers anywhere in the world last year.

Two other 728-megawatt reactors built in Qinshan, China, with enough generation capacity to support a city the size of Ottawa, went up ahead of schedule and on budget for \$4.5 billion. From first-pour concrete to in-service operation, they were constructed in less than five years. CANDU reactors in other countries have had

similar build-to-operation time frames. This overseas track record provides compelling evidence as to the important lessons learned by the nuclear industry, both at home and abroad.

The CANDU story is part of a larger renaissance in nuclear-generated electricity around the world. There are more than 440 reactors in 31 countries, another 30 are under construction, and others are planned in countries such as Finland, Japan, France, China, India and the United States. Atomic Energy of Canada Ltd is a member of a consortium looking at an advanced CANDU reactor in Virginia.

It is true that Ontario's nuclear system has had its problems in the past. We are all too aware of cost overruns, long construction-build schedules and off-and-on performance of the past decade. It is clear that nuclear-produced energy, as a young industry, has struggled through growing pains.

But it is important to recall that some of this pain was administered from outside, in the form of political and regulatory intervention. We hope that the new model will avoid long delays that push up capital costs for any project. For example, the four-unit Darlington project faced 11 major delays on the way to completion. I note Mr Hampton's not here to talk about that at the moment, but I'll get him later.

I should also make some general comments here about waste produced by various energy processes. Fossil fuel plants send much of their waste into the atmosphere in the form of greenhouse gases. In the nuclear industry, we know where all our waste is. Nuclear waste is contained within the fuel bundles that are stored safely within concrete-reinforced, water-filled cooling bays. Later, after five years or so, the uranium dioxide fuel is placed within dry storage containers where it is continuously monitored.

You will hear many submissions on energy initiatives and technologies during your hearing schedule. Each process has its relative merits, advantages and advocates. The government must take leadership as it assesses the values of the different choices and whether they support the needs of a fully industrialized society.

In this prosperous province, we do not have the luxury of time as we restructure our electricity system. There is a critical need to bring major new capacity on-line and a need for an expeditious decision-making and approvals process that leads to new supply.

Because environmental and federal approvals, together with design and construction time for new nuclear plants, will take several years, the OPA will be under tremendous pressure to ensure a stable and reliable baseload supply needed for a vibrant and growing Ontario economy.

The Vice-Chair: Thank you very much. We have an extra 15 minutes because some group cancelled. We can use it either to ask Mr Elston questions or one of the members of the audience can participate and do a presentation. So what are we going to do? Ask questions? OK.

Mr O'Toole: Thank you, Mr Elston. It was a pleasure to hear your presentation and to clarify some of the Darlington—because you're right. I'm of the same opinion as you: Political interference basically caused most of the delays before they could commercialize the activity. It's an important, safe and reliable generator of electricity. Certainly in my riding it stands very strongly in the community.

I just want to build on the—I know it's a CANDU design in China, you mentioned. CANDU-5 or something.

Mr Elston: Six.

Mr O'Toole: Six. The Advanced CANDU, I guess, is in the design stage or something like that?

Mr Elston: It is in design.

Mr O'Toole: I don't like that design-build thing. I like the thing-out-of-the-box kind of approach. Who managed the project and who's operating it? Is it government? Is it some other investment consortium?

Mr Elston: In China?

Mr O'Toole: Yes.

Mr Elston: It's state-owned, but the production of the contract was done under the auspices of AECL.

Mr O'Toole: We're CANDU. Are we, in Canada, allowed to look at some of the other new nuclear formats like the—I think GE-Westinghouse has one. Is it a foregone conclusion that we're going to use CANDU?

Mr Elston: My view as a Canadian, obviously, is that we've got some homegrown technology and it would be wonderful if it could be used.

Mr O'Toole: Of course.

Mr Elston: I think, though, at the end of the day, that everyone will want to have a comparison and make sure we've got a competitive project. Obviously the work being done in the United States in the consortium with AECL is proving that it can carry the load against other designs, so I suspect that we'll feed off that in Canada.

Mr O'Toole: I have a couple of more questions, if I may, if time permits. I'm interested in your comments specifically on Bill 100 on the commercialization aspect of the power authority, the OPA. It's kind of a strange one. If you read the bill, there are a couple of sections specifically that are troubling. They can extend contracts and underwrite those, and they have no credit-worthiness technically. So it's really underwritten by you and me at the meter—there's no question about that—and all subsequent liabilities will fall back to the government. It says that in section 25, actually.

What's your comment on that? Should that be established? Because they're going to levy fees on the consumer, large and small. These are new—as the IESO is going to be as well. They're going to levy fees on an annual basis, submitted and approved by cabinet, and they'll go on the bill, along with the debt retirement. My question is, should they be an independent crown corporation with its own financing and get on with being commercial or not?

Mr Elston: I think the style of it will not matter so much as the deliverables that you ask of it. All I was

doing by noting that there isn't anything that really tells us how it's going to operate is to point out that you've got to do one thing or another so that the people outside can—

Mr O'Toole: Stability.

Mr Elston: Well, no, so that they can assess the stability the OPA will deliver to the market. Stability is a huge ingredient for us, and I think probably for any of us who are looking at generation, even other new types, you've got to be absolutely sure the OPA is going to be able to deliver on its contracts.

I think the other one is, since we've got the prospect of interprovincial discussions, there have to be some ways this organization can work in a way that will permit it—

Mr O'Toole: Coordinating.

Mr Elston: Well, not only coordinating, but if we were to buy, for instance, from Manitoba or Newfoundland or Quebec, they've got to be able to deal with other provincial organizations. It's not clear yet—that's why I raised the question—and I'm sure the minister and the ministry will deliver some formatting to that.

I think that's why it's so critical that we get a chance to take a look at the regulations. Earlier, one of the interveners basically said the regulations need some discussion. I think the minister said, early in April, that the regulations were going to be likewise subject to review. I hope that occurs.

The Vice-Chair: Ms Wynne?

Ms Wynne: Thank you, Mr Elston. The stability issue is huge, obviously, not just from the industry perspective but from a consumer perspective as well. I think you would agree, from what you've said, that we have to depend on a number of different sources for our energy. The eggs-in-one-basket approach is not going to work in the future.

Mr Elston: That's absolutely true. We support not only alternate energy sources, where they're economical, but also the conservation methods. Everything has to be taken into account. We absolutely think this sort of holistic assessment of the market is a very good step—that's why we generally support going ahead—but we

need a lot more definition. I think all of you will be either sitting at Mrs Cansfield's door or Mr Duncan's door getting that right, so to speak.

Ms Wynne: This document is the framework document. That's why we're hearing a lot of detail that's going to come later, but we need this framework in place. The question I wanted to ask you was, is there anything in Bill 100 that you think suggests we're not going in that direction of having a broad-based, diverse supply?

Mr Elston: I think you've got the ability to have a diverse supply. The issue of having a transparent run-through of how those supply types are going to stack up one against the other is something you should work on.

The other thing which is a little bit distracting is that I think there was an expectation that we would be just a little bit further ahead with the formalization of some of the elements of this. Remember that you want this in play by January 1. With the exception of having a brief flashback to my being on one of these parliamentary committees, I know how the process can delay things. The really key element of this is not only getting the framework right but particularly getting your regs right, and then, finally, making sure you've got the right people—the person who is going to lead it, the board that is going to direct it—and that you've got the ability to get them on the road by January 1.

I rather think, and I'm hoping, that the demonstration projects which have been outlined by the minister earlier today will be in a position to carry on and not weigh down the OPA as it tries to make the rest of the plans a little more concrete for the people of Ontario, because we really don't have the extra time.

Ms Wynne: Thanks for your advice.

The Vice-Chair: Thank you, Mr Elston, for your presentation.

I would like to thank all the committee members and the audience for their co-operation, and the secretary and the clerk for a wonderful job. Thank you very much. I guess that's all for today. We are adjourned until Thursday morning at 9 o'clock.

The committee adjourned at 1652.

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**Standing committee on
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Electricity Restructuring
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**Comité permanent de
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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
SOCIAL POLICYCOMITÉ PERMANENT DE
LA POLITIQUE SOCIALE

Thursday 12 August 2004

Jeudi 12 août 2004

*The committee met at 0902 in room 151.***The Clerk of the Committee (Ms Anne Stokes):**

Good morning, everyone. I'd like to call this meeting to order. Welcome to the standing committee on social policy. In the absence of the Chair and the Vice-Chair, it's my duty to call upon you to elect an Acting Chair. Are there any nominations?

Ms Kathleen O. Wynne (Don Valley West): Yes, I'd like to nominate Mr Craitor.

The Clerk of the Committee: Are there any further nominations? There being no further nominations, Mr Craitor is elected Acting Chair, if you'd like to come forward.

ELECTRICITY
RESTRUCTURING ACT, 2004LOI DE 2004 SUR LA RESTRUCTURATION
DU SECTEUR DE L'ÉLECTRICITÉ

Consideration of Bill 100, An Act to amend the Electricity Act, 1998 and the Ontario Energy Board Act, 1998 and to make consequential amendments to other Acts / Projet de loi 100, Loi modifiant la Loi de 1998 sur l'électricité, la Loi de 1998 sur la Commission de l'énergie de l'Ontario et apportant des modifications corrélatives à d'autres lois.

ONTARIO ENERGY ASSOCIATION

The Acting Chair (Mr Kim Craitor): Good morning, everyone, and welcome. We have a lengthy agenda today so we're going to get started immediately. The first presentation is by the Ontario Energy Association. Adam White, if you'd come forward and introduce everybody who is with you, please.

You have a half hour. You can use it for your entire presentation. Any unused time will be allowed for questions, to be asked by each member of the three parties.

Mr Bernard Jones: Thank you, Mr Chairman. I'm Bernard Jones, president and CEO of the Ontario Energy Association. With me are Adam White, who you just acknowledged, vice-president, public affairs and external relations, and Ron Clark, who is the OEA task force chair on Bill 100. Ron is also a partner with Fraser Milner Casgrain.

We appreciate the opportunity to speak to the committee about Bill 100. Obviously, secure energy supply

for Ontario at reasonable cost is vitally important to our social stability and the competitiveness of the provincial economy. This committee's oversight of Bill 100 is very important.

We have a short presentation, after which we shall be pleased to answer any questions the committee may have. Let me first begin with a short introduction to the OEA. The OEA represents all sectors along the value-added chain in the Ontario natural gas and electricity sector. You may or may not know that gas and electricity account for approaching 60% of Ontario's energy supply, the balance being principally oil, and of course there are other, more minor sources as well. The industry serves the industrial, commercial, institutional and residential customers in our cities, towns, villages and many remote communities, so our members do in fact serve all areas of the province.

The OEA itself has about 140 member companies. It is an association with a high level of membership involvement in our many committees and also in our visioning and planning sessions. Just to give you an illustration, in the last visioning session with membership, we had over 65 member companies represented, looking at the future of the industry and trying to figure out which were the right and best paths for the industry to help the province achieve energy security at reasonable cost.

We also have a senior board of directors on which all sectors of our membership are represented, so we are truly a democratic organization. We are somewhat unique in that we represent such a broad spectrum of the industry in our membership, and we're very proud of what we do.

Turning now to the legislation, the OEA is pleased to say that we support the government's balanced approach to electricity policy. We are committed to helping ensure the success of the hybrid electricity system proposed in the bill. We also support an expanded role for the independent Ontario Energy Board, with the emphasis there on "independent," and a board that operates in a way that is transparent and accountable. The OEA also supports prices that reflect the true costs of electricity and that are stable and predictable for low-volume customers. So as you can see, we do support the bill.

That said, the OEA agrees with the government that private investment is essential to meet Ontario's needs for new generation and for energy demand management. While Bill 100 defines the regulated component of the

hybrid system, the hybrid will succeed only if the commercial component also succeeds. In that regard, it is vitally important that the wholesale market be sufficiently large to provide liquidity and support a competitive secondary contract market that allows investors to efficiently hedge commercial risks.

The government is facing growing demand for capital to invest in public sector infrastructure, including hospitals, schools, universities, highways and environmental projects. Also, operating costs in the public sector are escalating and are always a challenge. Fortunately, private sector risk capital will be available to finance energy sector investments, provided that the environment for investment is favourable. Taxpayers need not underwrite energy project risks in Ontario.

0910

Energy policy stability is critically important to securing investor confidence and Ontario's energy future. The OEA supports the establishment of an Ontario Power Authority in this regard to undertake long-term forecasting and integrated system planning.

It is important, we believe, that there should be clear criteria for, and limits to, the power authority's mandate that make it clear where and when the OPA will intervene and the scope that will be left to private investors to assume commercial risks. So we have to clearly understand the roles and responsibilities for the OPA and also for the private sector participants.

As well, the decision-making processes of the OEB, the OPA and the conservation bureau must be transparent and accountable, and must also consider stakeholder needs. So we do need clarity in the vision.

Within a hybrid system there should be regulation, of course, and we've noted the expanded role of the OEB. It should be regulation where warranted by the circumstances, but overregulation and micromanagement must be avoided. The OEB should implement light-handed regulation and forbear where private sector commerce is sufficient to meet the government's policy objectives.

Given its expanded role, mandate and resources, the OEB must strive to work smart, to streamline review and approval processes and to promote efficient outcomes. Regulation must ensure timely and certain cost recovery for the investments required by market participants to implement the government's policies. The advisory committee to the OEB should be established without delay in the legislation. Mr Chairman, we are encouraged by the progress being made to date by Mr Wetston and the board.

Clearly, Bill 100 is wide in scope and will affect virtually all parts of the electricity system. Therefore, we need to think about planning a smooth transition. For example, new rate structures, billing systems, smart metering and other major initiatives must be addressed in a coordinated manner and in consultation with stakeholders to ensure a smooth and informed transition for market participants and customers. Participants in the market must have the information to help make this new vision a success.

Successful transition will require effective customer communications to promote public awareness and engage customers in achieving the government's policy objectives. Customers must also be given the information and tools they need to effectively manage their electricity consumption. Part of that, of course, is that customers should be able to understand their bills.

In summary, the OEA is committed to working with the government to ensure the success of the hybrid electricity system. This system will succeed only if the commercial component also succeeds. The government must therefore create a favourable climate for attracting private sector investment.

Bill 100 and the subsequent regulations must provide policy stability to reduce risks and bolster investor confidence. Light-handed regulation by the OEB is a key to reducing risks and costs for the industry and for customers, and also for boosting economic efficiency.

A smooth transition that responds to stakeholder concerns and informs and engages customers and extends customer choice is key to ensuring the success of this new system.

Of course, we will be following up this presentation this morning with a written submission to the committee at a later date. Thank you, Mr Chairman. We'll now take questions.

The Acting Chair: Thank you. We have lots of time. We'll start with Mr O'Toole.

Mr John O'Toole (Durham): Thank you very much for your presentation. You raise a number of very good points.

My concern, really, from the emphasis you placed on the role of the OEB and the OPA—I'll pose a question that's been raised before. It's in section 29 of the bill, which deals with the issue of creditworthiness of the OPA. If you read the section, the OEB and the OPA will both impose what I consider to be new charges on the rate. We're already talking with some uncertainty about what the rates are going to be; in fact, the signal is that they're going to be higher—higher than 5.3 cents.

So there are really two parts to the question: What do you think of the current clarity in terms of its not being a crown corporation and really being appointed by the minister? In fact, it's empowered through cabinet decisions and financed by either the ratepayer or the taxpayer through the consolidated revenue fund. Is that an appropriate mechanism for this new authority to be at arm's length and autonomous?

Mr Jones: Ron, would you like to speak to that initially?

Mr Ron Clark: Sure. As I've read the section, I think there's an intent that certain expenses, obligations and charges of the OPA will be levied directly on consumers—well, the OPA certainly has the power to levy charges on consumers to meet its needs. There seems to be a difference in wording between the description of the needs and expenses of the OPA with regard to obligations to counter-parties versus its own administrative needs. Also, it's not quite clear in the bill whether

the OEB has oversight over one or both of those in terms of the OPA's ability to levy those charges and transfer them on to customer bills.

As I understand it, in any case, there is no immediate recourse to the coffers of the government for the OPA. The intention, I believe, and I've been told, is that those levies do appear directly on ratepayers' bills, as opposed to the budget of the province and ultimately the taxpayers. I think there could be some clarity added as to exactly what the OEB does approve and doesn't approve. I suspect we'll be hearing from potential contractual counter-parties with the OPA exactly what they would like to see in terms of what would help the credit rating of the OPA and how that relates to OEB approval processes.

Mr O'Toole: That's very good. It isn't really clear. You'd like to see more clarity on this issue, and I think most people would. I do think, though, that the consumer—my role as an elected person is to look at the consumer, residential and small business more specifically. The larger ones have their own ability to have mechanisms to offset risk.

The bill today is so confusing, and they are all quite upset and not very trusting of the debt retirement charge, the service charge, the line loss charge, all these little micro charges. And I only see more charges. The administration they've set up—and I'm not being critical here. There's a lack of certainty of how they get financed or underwritten, from either direct or indirect taxes. There's a huge amount of risk, because in the economic argument—part of your opening statement was how important this is to the economy of Ontario in all sectors, residential as well. Then there's the role of the energy board, which is going to look at prices passed on to the consumer. Some of this is going to be mandated through a cabinet minute or something which says whether the charge will be administration or operational, for the OPA and the Ontario Energy Board.

Do you have anything to add, as we make or recommend amendments to the bill, that would help to clarify it for the investment climate? That's what's really required here, some \$30 billion to \$40 billion, in the minister's view, that needs to be invested in the generation side to make the market more stable and secure. What clarity could we add to this? Is it the OPA and how it's financed? Does it become an independent, self-financing authority?

Mr Clark: I think there's an ambiguity currently. If the intention is that the OEB reviews levies on consumer bills that are levied by the OPA for the purposes of meeting its obligations to counter-parties, that has to be made clear. I'm not sure that would necessarily be a positive development. If a potential generator wants to invest and his counter-party's creditworthiness will be regulated or viewed or passed upon by a separate regulatory authority, that probably does create some discomfort. I know you'll be meeting with some investor groups and generators etc later on in your proceedings and I'm sure they'll have views on that as well. To the

extent that the OPA is able to levy those rates and meet its needs without going through a regulatory process, that would probably make investors more comfortable.

0920

Mr Howard Hampton (Kenora-Rainy River): I really wanted to ask you this question. You refer to the "hybrid" model. If I remember, you and I especially have had some discussions on this issue. One of the criticisms that I think you've made in the past of a so-called regulated electricity system is that it gets in the way of the market, that the market should be allowed to make these decisions. Here we now have a system that on the one hand says it will be totally private investment, but on the other hand has created more bureaucratic organizations than I think we've ever seen before. Not only do you have the Ministry of Energy, but you have the Ontario Energy Board—a much-enlarged Ontario Energy Board, it looks like—an Ontario Power Authority, and what was the IMO continues to exist, only it takes on, shall we say, different clothing. So at one and the same time you have the additional costs of a private investment system—that is, members of your association will want to make a profit, and I would argue a 15% profit or more; they will have higher borrowing costs than government would have, simply because the risks will be higher—and yet at the same time, you have more bureaucratic organizations than ever before.

In some of the discussions you and I have had before, usually on open-line radio shows, I think you've indicated that would be the worst of all worlds.

Mr Jones: The question is being put to you. Maybe you should respond first, and then we can—

Mr Clark: I certainly don't think it's ever been characterized as the worst of all worlds. We have a particular situation where there is no doubt that government action was needed to kick-start investment, at least in the short and possibly the medium term. The OPA was something that was needed, and the OEA's position is that we support the establishment of the OPA and mechanisms that the government is taking to kick-start that investment. There's no question that was needed. There's a broad consensus among OEA members that that absolutely is the case.

Going forward, I think the bigger issue is whether the OPA continues to occupy a very, very large sector of the model of the system versus the OPA playing more of a standby role or a last-resort role. I think that's the question we have before us going forward. As we've indicated in our opening comments, we very much support strict limits on a definition of the OPA's role in the market because, for the hybrid model to succeed, the commercial element and sector must succeed. Otherwise, it's not a hybrid model; it's a regulated model.

Mr Jones: Can I add a comment as well? We have advised the government that we are concerned about excessive bureaucracy. It's very important that the OEB be effective but that it not be a huge organization that micromanages the energy sector, and that the OPA as well have a very clear mandate. Our vision is that we

would see the private investment become a growing part of the overall investment in the energy sector over time. But there's no question that there are issues to be addressed as we go forward. We're looking for clarity. Mr O'Toole asked questions about the clarity of the role of the OPA, its creditworthiness and so on.

But on the issue of taxes and profits, I think that really boils down more to ideology. Two simple examples: We did point out in your absence, Mr Hampton, that the government is facing great demands for capital for social infrastructure—schools, hospitals, highways and so on—and also that operating costs for government are a severe challenge. There is capital available in the private sector, and it simply makes sense for Ontario to grow a favourable climate for investors to bring that capital to the province. The fact that there is a profit component and a tax component to economic activities is just a feature of the society in which we live. There's virtually nothing in the room, I would think, and indeed in the building itself, that doesn't incorporate some profit motive in it. So I just don't buy the argument about taxes and profits being somehow bad in the electricity sector.

The Acting Chair: To the government side.

Mr Ted McMeekin (Ancaster-Dundas-Flamborough-Aldershot): I didn't take my "worst of all worlds" pill this morning, so I'm at a bit of disadvantage, I suppose.

As I listened to you speak, as one who represents a significant number of taxpayers in this great province, my perspective is that if my taxpayers were coming to me and saying, "Yes, you can borrow more economically than anybody else. Go out and borrow additional billions. I'll pay the tab for all the money that you need to borrow for the hospitals and the schools, and this and that"—but you know what? We don't live in that kind of a society. We live in a society that, on a good day, looks at sharing risk, sharing obligations, sharing responsibilities. I think the government's position is that we're trying to position ourselves that way, in reference to the so-called hybrid model.

In that context, you made comments, about the relationship between the OPA and other regulatory bodies, which I agree with. So I'd invite you to make any specific comments you might have about how we could sharpen that.

The other interest I have is in your summary statement. Maybe, in a contextual sense, it's part and parcel of the same question. You say, "The government must therefore create a favourable climate for attracting private sector investment." I'm assuming that favourable climate includes some genuine risk transfer from the public sector to the private sector, with some understanding that there would be some clear standards and transparencies, so at least people understand what's happening; in fact, a true partnership. I've often thought that the only P3s that ever work are really P4s, the fourth "P" being the people we represent.

Could you comment on those? I know that's kind of a softball question for you, but I'm really interested in how the government creates a more favourable climate

responsibly, and around the relationship and what specifics you may have. Then, I understand, Ms Wynne has a question as well.

Mr Jones: Thank you. I'll ask Adam to address that.

Mr Adam White: Yes, thank you. I do appreciate the question. I think your comments about sharing risk, obligation and responsibility are perfectly consistent with our message to the committee and the government. It goes back to the question of Mr Hampton about profit and what justifies profit. What justifies profit is a relationship between risk and reward. We in the private sector are not asking that we be guaranteed a 15% return on equity. We're asking that we be given a reasonable opportunity to earn a fair return on our investment, but we're prepared to take risks. I think that's absolutely critical going forward.

In the old model, the Ontario Hydro model, all of the risk, really, was flowed through to ratepayers. One of the advantages of a market that introduces competition is that that risk can be more fairly allocated, so that investors can assume risk and have the tools to manage that risk. One of the other comments we've made about the effective functioning of the commercial part of the hybrid system is that it's absolutely key in Ontario that the competitive market, the wholesale market, be of sufficient size and scope so that a secondary-contract market does develop so that investors can hedge those risks. If they're able to hedge those risks efficiently in a contract market with many counterparts, many buyers and sellers in an active wholesale market, then we can get the risk management done properly and efficiently. That means we can accept a lower reward, because our risks will be lower. That's going to result in lower prices for everybody and, in particular, reduced risks for customers.

To the point about sharpening the relationships between the agencies, we have in our presentation made a number of comments about the need to provide clarity and the need to create policy stability. We understand that Bill 100 is enabling legislation, that it lays out a framework, that it authorizes the government to make regulations and issue directives and so on. We don't expect that Bill 100 is going to answer all of our questions.

We have communicated with the government about what we think our priorities—this really goes back to Minister Duncan's comments in the spring. He gave a speech at the Empire Club on April 15. He said in that speech that the government must send a clear, unambiguous message to the market to encourage private sector investment. So we're committed to working with the government to communicate what it is we want to hear to make that clear. I think there is some work to be done. We understand the government is working on that in the development of regulations.

0930

Mr McMeekin: And in your follow-up presentation you might offer us some additional clues to that?

Mr White: Yes. That's absolutely our intent. We have said from the beginning that we're committed to working

with the government to make sure this works, and that means doing what we can. It's useful for us to hear your comments and questions as well so we can take that back to our members and work on an appropriate response to that.

Mr McMeekin: One final observation: It's a little tough to pay a dividend on a \$38-billion stranded debt.

The Acting Chair: We have less than a minute left.

Mrs Donna H. Cansfield (Etobicoke Centre): I just have a request, and then possibly Ms Wynne would like to ask her question. On page 6 you identified, "The OEA supports clear criteria for and limits ..." and where they should intervene, what scope etc. In your written submission, would you consider taking that requirement and placing it against the 10 identified priorities for the OPA and giving us your comments as to more clarity on those issues? That would be really helpful.

Mr Jones: We can.

The Acting Chair: We're out of time. I appreciate your presentation.

CALPINE CORP

The Acting Chair: Next we have with us Mr Greg Kelly from Calpine. Mr Kelly, you have 15 minutes. You can use it for your entire presentation. If not, the remaining time will be divided equally among the three parties to ask you any questions. Go ahead.

Mr Greg Kelly: Good morning. My name is Greg Kelly. I'm vice-president of sales and marketing for Calpine Corp. On behalf of Calpine, I'd like to thank the Chair for this opportunity to address you regarding Bill 100.

Let me first give you a very broad introduction to Calpine, and you'll find that on page 1 of the handout. Calpine is a leading North American power company. We were established in 1984. We're celebrating our 20th anniversary as an independent power producer.

We're dedicated to serving customers with clean, reliable, cost-competitive electricity. We currently supply about 25,000 megawatts of electricity from 91 operating plants in 21 US states, three Canadian provinces, including Whitby here in Ontario—we have a cogeneration facility there—as well as the United Kingdom.

We have a demonstrated track record of developing, building and operating natural gas-fired plants. We own and operate what we think is the cleanest fleet of electric-generating assets based on fossil fuels in North America. We are also the world's largest producer of renewable geothermal energy. We have a true commitment to renewables and the environment.

On page 2, I wanted to speak briefly to natural gas and natural gas-fired facilities. Let me describe the benefits to Ontario of a continued emphasis on this important generating source.

Natural gas-fired generation is an important part of a balanced and diversified portfolio of power generation for Ontario. Gas-fired plants are less expensive to construct and faster to permit than other options for baseload

power plants and can meet the need in Ontario much more quickly. Combined-cycle technology like we employ uses about 40% less fuel than older gas technology plants and really reduces fuel costs and needs.

Importantly, gas-fired plants have a very small environmental footprint with substantially fewer air emissions, land use, solid waste and water needs compared to other fuel-based technologies. Natural gas generation is highly flexible and reliable and thus very complementary to other renewable programs that the province may consider, such as wind power.

Before moving on to comments on Bill 100, let me briefly address a much-debated topic. That is gas price volatility. I know that's something which has been discussed here recently.

Let me first address the availability of gas. I think it's important for the committee to understand that if I were to leave it with one thought today, it is that natural gas has been, is today, and will continue to be an abundant resource. I think the numbers speak for themselves. Only 40% of Canada's natural gas production is utilized domestically. Canada's natural gas reserves are estimated currently to be approximately 60,000 billion cubic feet, which is a tremendous energy reserve within the country.

In Ontario, pipeline capacity for natural gas transportation is also abundant. The current carrying capacity of Ontario's pipeline system is about two and a half times its current gas demand. So there's a tremendous capability for the province to expand its use of natural gas in its existing infrastructure.

So the only question then is price, and I know that's of concern. Calpine would like to submit that the current run-up in gas prices is really a natural occurrence when demand increases in what has become one of the world's most efficient commodity markets. There are a lot of buyers and sellers, and so pricing is very transparent.

So why has it run up? Obviously there is a tremendously greater demand now than there has been for supply. But I would submit that this is truly a signal, and a signal that's being heard by producers and other alternative supplies in bringing in new sources of gas that will help ultimately, we think, to dampen any volatility in the natural gas supply market. Those are sources such as LNG, and the Alaskan and Mackenzie sources of natural gas. And as prices rise to a level that sends a signal that it is efficient to produce those resources, we'll see them and feel their effects in the natural gas supply market.

It's not just Calpine and myself that feel that way; recently, experts at a Stanford University energy modelling symposium—there were some 45 industry experts who met last September—concluded that recent natural gas volatility does not foreshadow a pending long-term crisis in natural gas prices and that natural gas will remain very competitive with other fuel prices.

So as you deliberate the important topic of portfolio mix, I ask you not to throw away the baby with the bathwater. Please keep natural gas in mind as an important part of that portfolio because of its flexibility and its

ability to complement the other priorities the province has.

Let me turn then to comments on Bill 100 that we might have. Those comments start on page 3 in the handout.

I think it's clear that previous attempts to open the Ontario energy market to private investment have left doubts in the minds of some investors about the attractiveness of Ontario. We think Bill 100 is a good first step in what I would call redefining the electricity market to address important priorities such as resource adequacy, which I know has been one of the highest priorities, along with reliability. We look forward to working with the government in its deliberations on Bill 100 and the detailed regulations to be able to create a stable, investor-friendly electricity market for Ontario.

Moving to slide 4, we have six specific recommendations that we would like to tender.

The first is that we would like to see the bill foster a competitive market for generation. The bill as currently proposed is very broad in nature and does not include specific language regarding the benefits of competition.

Secondly, we'd like to ensure the integrity of the procurement process. Here we're focused on the OPA's role in procuring new supplies.

We would also like to see the OEB's objectives clarified. We think it's very important for those to be clear in terms of the mandates and work they are going to be undertaking moving forward.

Obviously we're very concerned about the creditworthiness of the OPA.

We would also like to provide for stakeholder input into the new IESO board. We feel this is very important with respect to the success of markets in the long run, to be able to have stakeholders' input felt at that level.

Finally, we're very interested in having more clarity around the definition of "alternative energy source."

As I walk through our specific comments in these areas, I've included in the write-up specific language for potential amendments to the bill, but I'm not going to read those today. We ask that they be incorporated into the record. We will only speak to the benefits of our proposal as I move through here.

0940

Moving to slide 5, I wanted to note under the recommendation of fostering a competitive market for generation that the statement of purposes for Bill 100 does not include any statement regarding attracting investment in new supply, fostering competition in the generation market, or the role of private sector involvement. We believe that adding these concepts to the purposes section would be an important signal to the market of the government's intentions to use competition as a tool to achieve its objectives. I can tell you that, as potential investors, we at Calpine see inclusion of these priorities and purposes as more than merely symbolic. When I personally have to convince my management that we should invest capital and human resources in helping Ontario solve its resource adequacy and environmental

concerns, the inclusion of these concepts would send a very powerful and persuasive message to my board and our shareholders. A second reason for their inclusion is really for legal and judicial clarity. For instance, the act envisions that the OEB would carry out market mitigation efforts. Inclusion of these concepts in the object and purposes will give them direction and, importantly, background for justification of any future actions.

Moving on to slide 6—and I will take 6, 7 and 8 in their entirety; there's an awful lot of amendment language in there that we're offering—we note that the OPA is not required to contract and procure electricity under any priority or standards. We would submit that competitive, transparent and fair procurement standards are very important with respect to the integrity, moving forward, of procurement by the OPA. We think that guaranteeing the competitiveness and integrity of the procurement process would essentially ensure that Ontario gets the best solution for generation not only in terms of price but also in reliability and environmental impact. Again, this sends an important message to potential investors to enter the Ontario market, which I think is one of the end results that the government is seeking. We are always an advocate for open and competitive procurement because we feel it's just good public policy. Time and again, these processes have proven they will provide consumers the best solution in terms of price, reliability and impact on the environment, so we urge you to closely consider these proposed amendments.

I'm going to move to slide 9 and talk about clarifying the OEB's objectives. I really at this point just want to reiterate our request that the concept of competition be included in the object and purposes statement in schedule B of the OEB Act. We believe that inasmuch as the OEB will be, among other things, approving the OPA's procurement processes and acting as a market monitor, it's imperative that they be chartered with a competitive standard. How else could their actions in these areas I just mentioned be measured? So we really feel that yardstick is very important.

On slide 10 I'd like to address the creditworthiness of the OPA. We are a potential participant in the ongoing 2,500-megawatt RFP and are extremely conscious, therefore, of the need for the proposed OPA to be creditworthy. In general, we ask that the legislation be vetted by ratings agencies and that it enable the OPA to be rated investment grade. It is important that it also have access to working capital. Ensuring a fair balance between consumers and suppliers in the overall timing and payment chain is going to be an important function to keep long-term contracts cost-effective. It's like squeezing a balloon. If there's not a sharing of that working capital cost, you'll see it in the cost of supply. So it's a real cost and it's something that needs to be addressed in the legislation. We would hope the final legislation articulates that the OPA rates will recover all of the costs of the electric generating system.

On slide 11, just to briefly address again our desire for there to be an independent IESO board—and we

commend the legislation for that structure and support that. What we would like to do, though, is perhaps take it a step further in that what we've found in other markets is that it's very advantageous that there be direct stakeholder involvement at the board level, perhaps through a subcommittee to the board, rather than in working groups down the line. In that way, stakeholders can get to board members who are actually acting on actions that the IESO may take and understand the impact that will have on stakeholders on a day-to-day basis.

Our final recommendation, on slide 12, is really to put more clarity in the definition of "alternative energy source." The definition of "alternative energy source" is unclear. It's currently defined as energy that's "used to generate electricity through a process that is cleaner than certain other generation technologies in use in Ontario before June 1, 2004." I think you can see that it's very difficult, then, to gather what that level of clean is. So all parties will need clarification in this definition.

We were also concerned about another potential interpretation that showed up here, and that is the possibility of transmission and distribution companies developing, owning and controlling alternative energy resources under schedule B, section 71(2)(c). Our reading of the legislation as written is that, in fact, they could do so with the OEB's approval. We would ask that the committee clarify this point for us. We don't believe that was the ultimate intent. If it was, we are really concerned about what I would call discriminatory access by non-discriminatory transmitters and distributors. If we were to have to compete with them, that would be a very difficult situation.

In summary, we think Bill 100 is a very positive step toward a stable electricity market to attract investment. We would like to see better-defined roles of the OEB and IESO and confirmation of the role of the private sector in the new system.

The Acting Chair: Thank you very much for your presentation. You have used all your time. I appreciate your appearing before the committee.

ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO

The Acting Chair: The next presenter we have is from the Association of Major Power Consumers in Ontario, Mary Ellen Richardson, president.

Ms Mary Ellen Richardson: Good morning, ladies and gentlemen. Thank you for the opportunity to appear before this legislative committee hearing. We have a lot of information and many concerns to share with you but very limited time. Therefore, we have kept our remarks today to the barest minimum, and in the interests of your time, I will be reading my remarks. I do assure you that AMPCO will be submitting a detailed written submission to this process, including the detailed analyses that support the results we will share with you today.

In addition to speaking on behalf of AMPCO's approximately 55 member companies from a cross-

section of manufacturers in the province, I am joined today by Gia De Julio of AMPCO, and also a panel of three AMPCO members: Mr Mike Kuriychuk from Bowater Canadian Forest Products Inc, representing the forestry sector; Mr Darren MacDonald from Gerdaul Ameristeel, from the steel industry; and Mr George Blechta from Falconbridge Ltd, from the mining industry. My three panel colleagues will emphasize the concerns raised by Bill 100 as it pertains to their industry sector.

Today, in speaking about the Ontario government's proposed Bill 100, we would like to share with you the concerns, issues and messages that AMPCO has shared with many other parties: namely, what customers want and why this legislation is so important and so potentially worrisome. We were encouraged by Minister Duncan's remarks on Monday that energy policy will not be driven by ideology but rather by what works. We would hope that this means policy driven by what works for customers.

From my work with AMPCO as well as with a coalition of customer associations representing residential, commercial, small and large business customers, I have found that there is a remarkable consistency of what works for customers: namely, available, reliable and affordable electricity. We want to achieve this goal in ways that keep Ontario and its businesses competitive, to preserve an economy that throws off wealth and jobs while being environmentally responsible.

0950

AMPCO recognizes that Bill 100 is significant in the scope of changes contemplated, but sees it as enabling legislation providing an institutional framework and defining at a high level the roles, responsibilities and governance structures of major oversight institutions such as the Independent Electricity System Operator, Ontario Power Authority and OPG.

Bill 100 contemplates a number of initiatives that introduce direct involvement of government and its agencies in essentially commercial decision-making. AMPCO understands the need for a number of transitional measures that bring direct government involvement, such as the OPA, but always within a framework that has as its end state a viable electricity market and which keeps the cost to customers as low as possible.

AMPCO has ongoing concerns with the governance of these oversight institutions, noting that the requisite business skills and the knowledge of a very complex electricity system at a very crucial time will be critical to make this framework work. We hope that the government will consider input into the choice of strong board and advisory committee members and continuously audit their effectiveness and ability to influence balanced decisions.

As customers, we are interested in the price of the output. The end state, or results, are what matter. Some elements of upward price pressure clearly are beyond our control, including increasing fuel scarcity, international energy pricing and the need to replace aging infra-

structure. For these things, our supply portfolio can be used to minimize the risk to Ontario customers. There are other elements, significant elements, that are within our control; that is, they can be managed in a way, including the timing of implementation, that meets customer needs by mitigating price increases, making energy supply secure and Ontario industry competitive. I've listed them here, and we'll talk to those that are affected by public policy in a moment.

AMPCO has prepared an analysis of the cumulative effects of the various announced policy initiatives on the ultimate cost of power to customers and, through electricity prices, the impact on the Ontario economy. AMPCO has shared this analysis with various ministries of this government. Specifically, AMPCO's analysis, based on policy announcements relative to renewables, conservation targets, the introduction of the OPA, the MPMA phase-out and the replacement of coal-fired generation with natural gas, results in a dramatic 30% to 53% increase in the delivered price of electricity to customers, depending largely on the assumed price of natural gas and OPG's regulated price. Figure 1 illustrates the components of the price increase.

Further, AMPCO recently commissioned a study of the macroeconomic impacts of higher electricity prices on the Ontario economy. The magnitude of the economic impacts is significant in terms of the effect on the average economic growth rate and employment.

As noted earlier, there are several ways that this price impact can be mitigated. These include OPG costs control through effective oversight. In the short and medium terms, when the output provided by OPG remains a significant portion of our supply, it is imperative that this generation be priced to impose strict cost discipline on the company operations and not in a way that passes cost increases related to OPG inefficiencies through to customers.

Other ways to mitigate price impacts include decisions on fuel and technology mix, long-term capacity contract structures, and conservation programs and cost allocation. I might also note that the elimination of impediments to cogeneration such as the DRC would be helpful.

Given that Ontario is an industrial economy, energy strategy must include that reality and vision. Energy is an important cost factor to many of the AMPCO members. Historically, energy supply was a key competitive advantage in attracting industry and jobs to Ontario. Today that advantage has been lost. The delivered cost of electricity for industrial customers in Ontario has risen 30% since 2000, and Ontario now has electricity rates higher than most competing jurisdictions in North America. You will see this illustrated graphically on figure 2 in the presentation package.

I'd like now to turn the discussion over to my panel colleagues to talk about how this impacts their industry sectors.

Mr Mike Kuriychuk: Good morning. My name is Mike Kuriychuk. I'm vice-chair of AMPCO and I'm here to speak generally on forest sector issues. There will be

presenters coming before this committee later to speak about specific companies. I would suggest that you ask them about specifics.

Forestry is a sustainable, renewable economic base in Ontario. There are 285 Ontario communities depending on the forest sector, and most are in northwestern and northeastern Ontario, which is generally an economically vulnerable region. In addition, many First Nation communities are closely related to the forest sector, and this First Nations' involvement has been growing over the years.

Direct employment in Ontario is over 85,000 people and indirect employment is about 175,000, according to statistics mentioned at the bottom of the page: annual sales, \$14 billion; exports, \$9 billion. Our contribution to the balance of trade in Ontario is second only to the automotive sector.

The forest product industry in general is not earning its cost of capital. A report by the Forest Products Association of Canada covering the period 1991 to 2001 showed that returns are below the cost of capital for all years in that period except one. That cannot be sustained. We are affected by global commodity price swings and we have little ability to control selling prices, so production cost control becomes a critical issue.

Electricity is a significant percentage of the cost of production, and depending on the technology it can be up to, and even greater than, 25% of product cost. In many cases it is the second cost component after the cost of fibre; it is highly significant. As Mary Ellen mentioned, in Ontario, prices have already escalated out of control.

A standard question: "Things are changing. Why can't industry just adjust?" A lot of that depends on our being a very capital-intensive sector. In the short term we have to operate with what is already installed. Most companies are already aggressively managing electricity cost through conservation projects, by shifting production to off-peak hours, using by-product fuels, doing self-generation and so forth. Now we're getting into a period of diminishing returns. All the easy opportunities have been taken. The ones remaining are more costly and the returns are lower.

In the longer term we're caught in a dilemma. To invest in plants and equipment you have to be profitable, but Ontario companies in the forest sector are not, so production is starting to simply disappear across the border. Those companies that have multi-plant operations throughout North America or the world are simply cutting back in Ontario and shifting production elsewhere. This is already happening. Therefore, we from the forest sector urge the provincial government to fully review the cost impacts of all policy decisions.

Mr Darren MacDonald: Good morning. I work for the Gerdau Ameristeel Corp. We operate 10 plants in North America, predominantly in the northeast of the continent. Two of those are in Ontario: Whitby and Cambridge. We have a combined load of about 120 megawatts.

We have a similar process at each of the 10 facilities and we have the ability to shift production from one

location to another. That's based on where it's economical to do so. We also operate in a globally competitive market, with very little control over any selling costs, so our production costs are critical.

We employ about 873 employees in Ontario. In 2003, we spent \$498 million in contribution to the economy, and we've invested over \$313 million in production facility improvements since 1990.

I wanted to draw your attention to the locations where we actually compete. Our facilities must compete internally for the right to produce, and we also have to compete globally. This graph indicates that our two mills in Ontario must also compete with mills that are right down on the southeastern seaboard, basically with the same distance to deliver product to the market.

This graph demonstrates by the red bars where Ontario currently sits relative to the rest of our operating facilities from a power cost perspective. Ontario is poised, with a 30% to 50% increase, to be the highest-cost operating location in our portfolio. It's important to note that the red bar reflects the MPMA, our TRO and our own economic command response. These costs are considered when we're looking at where to relocate or ship production.

1000

Efficiency gains: As you can see, we've made efficiency gains over the last number of years, and we've been able to get a 16% decrease in power consumption since 1999 to date. But that hasn't been enough to overcome the 30% increase we've seen in power prices. A 30% to 50% increase simply wouldn't allow us—the low-hanging fruit is gone; we picked it years ago. We're not going to be able to overcome that kind of increase.

Our message, really, is that price increase provides a clear signal to Gerdau Ameristeel to invest outside Ontario. It would reduce production expansion and capital expenditures, and we'd shift production of the high-energy cost products to lower-cost jurisdictions. So we urge the government to make policy decisions that drive efficiencies in this market. Thank you.

The Acting Chair: You have used up your 15 minutes, but I know there is one more speaker, and with the indulgence of the committee I'd like to allow him to speak.

Mr George Blechta: Thank you very much. My name is George Blechta. I'm with Falconbridge Ltd. Falconbridge is a worldwide company, primarily in nickel and copper. Falconbridge competes globally and has done so for the last 75 years. We have four plants in Ontario—two in Timmins and two in Sudbury—with 3,000 employees located in the north.

Falconbridge is one of the largest consumers of electricity in Ontario, with two terawatt hours per year. Our average yearly cost is approximately \$120 million. This is a significant portion of our operating budget: 25% to 30% for smelters and 10% to 15% for mines. For every dollar increase in the price of electricity, our costs are increased by \$2 million. This has a significant impact on our margins.

A competitive electricity market provided options, flexibility and opportunities to manage costs. A hybrid market will make this difficult. The metal market is a very cyclical feast and famine. With each dip we've had some form of shutdown. Back in 1982, we had a six-month shutdown with massive layoffs. With other metals it's the same story, but it's worse.

We invite the Minister of Energy and the legislative committee to visit one of our operating plants in Ontario in order to get a full appreciation of the potential impact. Thank you.

Ms Richardson: In closing, I'd just like to say that AMPCO would like to work with the government as the legislation is refined, and specifically as regulations are developed. It is clear from these presentations that electricity policy is critical to the economic viability of the province. We all face some significant energy challenges. The regulations we develop can create a crisis or prevent one. AMPCO wants to work together to find solutions. Thank you for listening.

SEA BREEZE POWER CORP

The Acting Chair: Our next presenter is Fred M. Strong, from Sea Breeze Power Corp. You have 15 minutes to make a presentation.

Mr Fred Strong: I'd like to thank the committee for the chance to comment on proposed Bill 100. I'm with Sea Breeze Power, a leading developer of utility-scale wind farms in BC. Sea Breeze is also active in remote power diesel replacement and load-levelling technologies. We're partnered with VRB Power, a Vancouver company that is commercializing vanadium redox flow batteries. These utility-scale batteries offer the prospect of high-quality load-management solutions that are both timely in an Ontario context and environmentally responsible. A Sea Breeze affiliate, Standard Hydrogen, has also begun to study the economics of the wind-hydrogen cycle here in Ontario.

Our work has identified transmission and interconnection issues as perhaps the major hurdle to diversifying power sources and strengthening our transmission grid, both stated goals of Bill 100. These dovetail with the conclusions of last year's task force report on distributed generation.

All forms of load levelling and distributed—sometimes called “embedded”—generation are highly sensitive to the costs of grid interconnection. These costs include regulatory approvals, hookups and wires, as well as ongoing compliance, power quality and other technical issues. The same is true for wind and other renewable energy sources, which have the added burden of their natural intermittency. Special attention must be paid to ensure system costs and benefits are properly accounted for, allocated and available to those responsible for creating the value in the first place.

Whether community owned or private, intermittent and small producers face significant economic and regulatory barriers when they try to access the electricity

grid, in addition to a raft of other legislation, public hearings and jurisdictions. I think property tax was mentioned in an Ontario wind context previously.

On the conservation side, the benefits of demand-side management—to use Amory Lovin's catchphrase, "negawatts"—are not confined to reducing power generation needs. The benefits for transmission systems and operators from reduced demand are substantial. In Ontario today, these benefits are brought into being by the actions of power consumers, whom we just heard from, but they accrue in large measure to the system operators. They're probably second only to electricity prices as a part of the conservation puzzle. System and other societal benefits were in fact an integral part of the success of, and a source of value-added that helped and continues to help pay for, California's successful conservation rebate program.

In Monday's testimony, most notably by the drafters of Bill 100, distributed generation—or more broadly, distributed power resource management—was identified as one of the desirable outcomes of electrical reform in Ontario. I have not, however, been able to find any reference to distributed generation by name or distributed power management in any section of the bill itself, including the bill's declared purpose as set out in section 1. The absence of a specific mandate in either of the bill's two main new operating sections, the new conservation bureau and the mandatory periodic power system reviews by the OPA, means distributed generation could find itself once again facing system operators that are, by definition, the only game in town, without an adequate or even a responsible party in government, apart from high-level oversight and potential recourse to the OEB. Historically, this is one reason why distributed generation, including cogeneration and combined heat and power, has been confined to our largest industrial power consumers, primarily steam users.

Power diversity has much in common with biodiversity. Diversity is the mark of a healthy system. If indeed a stronger, more resilient and secure power supply is to be promoted by Bill 100, I would ask this committee to consider placing explicit authority for distributed generation under the auspices of the conservation bureau. This small addition might fit comfortably after "electricity load management" in 29.1(b) and 71(1). Adding the words "distributed generation" or "distributed power management" to the purposes section in section 1 might also more clearly reflect the stated desires of the drafters.

A more forceful mandate would arise if these goals were specifically included as part of the proposed OPA's periodic integrated system plans and targets were actually set. For committee reference, this is section 25.28. I submit that the failure to make an explicit reference to distributed generation in the legislation risks once again orphaning an important and innovative market force.

The electrical system in North America is reaching a crisis point. Many people and policy-makers think that more generation will solve these issues. On the contrary, our work has led us to the conclusion that underlying

electricity problems have more to do with transmission constraints and a regulatory environment that prevents the addition to and the upgrading of the hydro grid.

The stakes are high; 9/11 drove home the message that large plants represent large risks. Last August 14, nearly exactly a year ago, we found out how simple voltage instability can cascade through an entire grid, largely due to the age and layout of the system. Finally, the public resolutely resists improvements in grid capacity which must pass right through their backyards.

On the plus side, there is a new paradigm emerging, one that Detroit Edison has compared to the transformation we witnessed in the computer business. This new paradigm involves conservation, distributed generation and large-scale power storage. As with the World Wide Web, these are linked together with advanced information technologies and standardized rules and protocols.

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A recent Vermont study valued the system benefits of distributed generation at between US\$1,000 and as high as US\$7,000 per kilowatt—big numbers. Unlike California's complex analysis of societal and system benefits, Vermont's study was based exclusively on a void in investment in substations and wires. Distributed utility planning is now the centrepiece of Vermont's public services' conservation and load management program. All 22 of Vermont's district utilities are required by law to utilize distributed utility planning tools, which are well developed, in their least-cost integrated resource plans.

South of the border at the federal level, the Federal Energy Regulatory Commission recently enacted definitive new interconnect rules designed to level the playing field for new generation and streamline the process of getting new capacity on stream. The proper allocation of system benefits is prominently featured in FERC's regulation 2003-A. This allows new capacity to target grid constraint pockets and long lines without being forced to subsidize system operators. The FERC regulation is currently being recast for smaller facilities; that means under 20 megawatts.

Alongside the elimination of costs that clearly have nothing to do with the addition of new small-scale generating or peak shaving capacity—in particular, the aforementioned debt retirement charge—standardized interconnection rules and streamlined approvals processes are a prominent feature of presentations to this committee and its predecessors that involved distributed generation. Isn't it time to demystify electricity? Smaller projects simply cannot absorb the same kind of upfront charges or wield the same kind of clout as large projects.

This committee and the new institutions it's creating through Bill 100 have the opportunity to redress this historic imbalance. A case in point is EnerCan's proposed program to implement a workable carbon reduction plan in the electricity utility sector. They needed a program that would work. They paid attention to the concerns of smaller-scale renewable energy producers and addressed compliance using transactional analysis,

streamlining the application and approval process for carbon offsets for small energy producers. While this is an issue of efficiency, it would appear that the emerging distributed power paradigm requires that close attention be paid to the cost of permitting, as well as ongoing regulatory compliance. If Alberta's positive response to EnerCan's proposed plan to implement Kyoto is any indication, it may be wise for the new conservation bureau to pay some attention to this aspect of EnerCan's work.

Grid bottlenecks and brownouts are of course usually confined to daytime peak demand. Peak shaving—shifting load from the middle of the day and into underused portions of the grid—presents a much more level load profile that helps in many ways, including helping large-scale thermal and nuclear plants and stretched transmission lines to operate at peak efficiencies.

Along with other forms of distributed generation—Calpine mentioned some of them: microturbines, microgrids, small-scale wind and biomass—combining the relatively recent appearance of environmentally sound large-scale storage technologies such as the vanadium redox battery, which we represent, with increased use of decentralized distributed energy resources and embedded load levelling not only addresses legitimate questions regarding the intermittent nature of renewables; it moves us toward a far more secure and potentially sustainable energy future. This is perhaps nowhere more important than Ontario. Our main energy resources are based on information and industry as opposed to simple inflammability. Indeed, if Bill 100 can address these issues and facilitate the technological and capital investment to capture the benefits of this emerging paradigm, a westerner like myself might compare it to an eastern economic diversification program designed to deal with this core issue of energy supply. As with the western economic diversification program, it would help Ontario plan for the inevitable. In this context, it is most appropriate to examine these issues in the context of a social committee. I thank committee members for respecting their mandate in this respect.

Energy shortages, blackouts and wild price fluctuations threaten our very well-being, our jobs, our comforts and our way of life. As we have learned to our great cost, simple economics applied to large-scale decisions with long-term consequences, in particular least-cost to rate-base analysis, especially those chosen by government or sovereign authorities, may not fully account for future risks and costs. This is true even at the relatively straightforward level of plant construction and refit. These scandals have saddled our children with enormous stranded debts and burdened Canada's nuclear industry with economic and financial uncertainty that may in fact outweigh environmental concerns.

In contrast—and this is not to exclude large-scale plants that must meet strict safety, societal, environmental and hard-nosed economic and financial tests—the far larger subset of solutions related to distributed gener-

ation and load levelling reduces risk in any number of ways, and I ask the committee to make reference to last year's Task Force on Distributed Generation chaired by George Vegh. It also develops our economy in a manner that distributes benefits and jobs more evenly across the province. However, as we know, greater Toronto is our problem child.

I would like to close with a case history. In November 2003, PacifiCorp installed a three-megawatt VRB battery at the end of its Moab feeder in Utah, an 85-mile-long line with massive stability problems and finite capacity. The battery provides voltage support, which sometimes is called VAR, stabilizes current flow and adds incremental peak capacity sufficient to permit continued growth in the community without upgrading the transmission line. In this case, the line is owned by PacifiCorp itself.

In a city like Toronto, a series of well-placed 10-megawatt flow batteries would eliminate the need for costly standby diesel backup, a post-blackout tender that met with much public criticism. These diesel generators are not even allowed to run unless there is an emergency; they're just an additional insurance cost. In contrast, flow batteries are high-quality electrical assets that provide many benefits to the electrical grid. They also provide buffer capacity sufficient to perform many essential tasks and mitigate losses in the event of system failure or blackout.

In the longer term, load-levelling renewables and small-scale projects, in close conjunction with prudent demand-side management, will minimize the number of large-scale plants and large-scale choices Ontario will need to make to keep its energy future secure. As PacifiCorp's decision illustrates, such investments also minimize grid investment and even eliminate it in some cases.

We are on the verge of an industrial information revolution in the power business that is comparable in scale and scope to the original vision of Adam Beck. Ontario deserves more than incentives and regulations that just keep the lights on. We owe it to the future to keep the home fires of hope in industry burning every bit as brightly.

The Acting Chair: You've timed that quite appropriately. You've used your entire 15 minutes. On behalf of the committee, I thank you very much for appearing before us. We have no time for questions.

Mr Strong: We will be submitting a written brief by August 22.

The Acting Chair: We look forward to that.

ENERGY PROBE RESEARCH FOUNDATION

The Acting Chair: Our next presenter is the Energy Probe Research Foundation, Tom Adams.

Mr Tom Adams: Thank you very much, Mr Chairman. I will speak briefly in order to leave time for questions. I will restrict my comments to two subjects. One is Energy Probe's overall analysis of the approach taken

with Bill 100—the legislation itself rather than the surrounding policy issues—and secondly, I wish to address procedural concerns about the approach that's being taken to the public review of the legislation.

When Ontario's previous Tory government aborted its plans to open the province's electricity market to competition, dozens of private power plants that were on the drawing board vanished from existence, their owners writing down their investments to zero. Mr Harris's successor, Mr Eves, further jeopardized the province's ability to meet its needs by freezing power rates, encouraging excessive consumption and investing in nuclear power plants—proven non-performers.

Now, Mr McGuinty's government, panicked by the impending power shortages that Ontario faces due to these decisions of predecessor governments, is going one step further and creating a centralized power authority for the province. Bill 100 will create a new bureaucracy, the Ontario Power Authority, subject to the whims of the government of the day and empowered to develop and implement long-term power plants for the province. It will be able to issue debt and enter into long-term contracts, all backed by taxpayer credit.

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Energy Minister Dwight Duncan expects that the power authority will need in the order of \$25 billion over the next 16 years but acknowledges that this figure could be as much as 50% higher. Given the sorry history of power authorities around the world, the \$40-billion outer perimeter for his estimate may prove to be optimistic.

The Ontario Power Authority is little more than a formal rejuvenation of Ontario Hydro, which collapsed financially and operationally in 1997 under the weight of its nuclear and financial problems. The fates of other centralized power authorities around the world bear an uncanny similarity to the fate that befell Ontario Hydro.

In the UK in 1947, they established something called the Central Electricity Generating Board on the model of Ontario Hydro. Like Ontario Hydro, its preferences were coal and nuclear. By the middle of the 1980s, CEGB was heavily in debt, hounded by serious labour strife and unable to get permission to start the next round of mega-project expansions. In 1987, the Thatcher government lost confidence in CEGB's ability to meet the country's future electricity requirements and decided instead to competitively restructure the power system, including breaking up CEGB and privatizing some of the pieces.

Then the truth came out about CEGB's financial accounts. When CEGB was a government agency, its financial accounts were not subject to the same scrutiny that prevailed when it faced the prospect of issuing prospectuses in public markets. Once the utility needed to meet the disclosure requirements of securities laws, its financial officers faced the possibility of jail time for misleading investors. CEGB drastically revised its financial statements, revealing that its nuclear program was wildly loss-making rather than profitable as previously claimed.

France's version of Ontario Hydro, called *Electricité de France*, right now is in the early stages of the same process that killed CEGB. Again, the prospect of privatization is shining light on previously rosy financial accounts. The cash-strapped French government announced in 2002 its intention to sell a portion of its holdings in EDF. Last month, the *Economist* magazine reported the results of an analysis it had commissioned on *Electricité de France's* financial condition. Here's how the *Economist* summarized its findings:

"What emerges is a picture of group that used some questionable accounting practices; that has never really made a profit; that has made imprudent use of funds set aside for nuclear decommissioning and waste management; that lacks transparency over the level of its nuclear provisions; and that has indulged in a reckless and costly strategy of international expansion."

California's botched effort to bring competition to its electricity market failed in 2001, at which point the government of the day decided to switch to central planning. The result: The central planners entered into long-term power contracts with expected costs on the order of \$40 billion over the lifetime of the contracts; the expected value, about half that.

The only jurisdictions in Canada where central power authorities have provided low-cost and reliable power are those jurisdictions blessed with abundant natural resources, easily harvested. Quebec, Manitoba and BC have abundant hydroelectric resources. Saskatchewan has practically limitless coal reserves easily available near the surface. In Ontario and New Brunswick, where making electricity is commercially complex owing to the lack of natural resources, central power authorities have accumulated vast debts, far beyond those that could be supported in a market environment.

Jurisdictions around the world that have embraced competition and have had the political capacity to ride out the inevitable bumps along the road have been very successful. Examples include the UK, most parts of the United States—particularly the neighbouring regions where they have a surplus of electricity now—New Zealand and Australia. These jurisdictions have attracted investors and benefited from improved service to customers and, in many instances, lower prices. The only losers in these instances were the existing systems and those that depended on the previous bureaucracies.

Some months ago, Energy Minister Dwight Duncan correctly observed that Ontario's power system has suffered from political instability in recent years. This government's comprehensive energy restructuring legislation is supposed to bring an end to this chaos. Unfortunately, by embracing the failed central planning model, Ontario's electricity chaos is, we fear, destined to continue. Power investments will continue to be dumped into a black hole, and the provincial power supply will be more unstable in future than ever.

Energy Probe's procedural concerns with this process of review for the government's restructuring legislation might best be described by contrasting the approach to

the review of energy restructuring that is going on now, versus the one that happened the last time we had a comprehensive electricity restructuring effort. As some of you may know, in the mid-1990s, Ontario Hydro internally initiated a process of review to develop the intellectual basis for a comprehensive restructuring of the electricity system. They initiated a process called the TAT process—technical advisory teams—of which Energy Probe became a member. Other customer groups also participated, and a discussion was initiated as to how a new electricity market might be designed. That process continued with the Macdonald committee report, initiated in 1995, and it extended into 1996.

In 1997, the previous government issued a white paper describing its intentions. That white paper was subject to comprehensive debate in public—very detailed, technical debate. A technical committee called the Ontario Market Design Committee was established to develop the legal infrastructure underneath that white paper.

The government's Bill 35, which was introduced in 1998, was itself subject to extensive review. Finally, when the bill was ultimately passed in October 1998, there was a very high degree of understanding—not necessarily agreement—of what the ultimate intentions were and what the choices were that had been made behind the scenes, as reflected in the legislation.

That process does not prevail now. The public does not have a clear understanding of where this energy legislation is going. These committee hearings are very short. They've been hastily assembled. Energy Probe's attendance at this meeting today was only confirmed yesterday. It resulted in a limited time for preparation. The restructuring of Ontario's power system is a very complex undertaking. This process is being undertaken in undue haste.

In conclusion, I have two summary comments. One is that Bill 100 will fail to provide a stable structure for Ontario's power system going forward, and the passage of Bill 100 will necessitate a further comprehensive electricity restructuring in the near future. The second comment is that the review process for this legislation is, sadly, inadequate.

That concludes my prepared remarks. I invite questions from the committee.

The Acting Chair: We have time for one question.

Mr O'Toole: Thank you very much, Mr Adams. You've been an observer and a commentator on this topic for a good decade, and I commend you for your review that you've given us this morning.

It is a very comprehensive piece, somewhat uncertain in terms of the overarching mandate of the OPA. It's really just the black hole that you've referred to: It's where they'll put the money. They're not sure how they'll price it, or they're not sure how they'll pay for it, except through consumers, either by a direct or indirect tax, as I understand it.

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When I look at this bill in a broad sense—because you've had a very tertiary view—it's a regulations bill.

It's a framework bill that's going to be orchestrated through regulations.

Have you been privy to any of the discussions that I'm told by the minister in a letter that—I raised on his first day of hearings that I wanted to be part of or at least aware of the consultations on the myriad of regulations. Are you aware of any of the regulatory discussions with any stakeholders ongoing?

Mr Adams: No, I'm not aware of any.

Mr O'Toole: You're not aware, and you're Pollution Probe, right?

Mr Adams: Energy Probe.

Mr O'Toole: Do you know of any of your colleagues in the industry that are being consulted?

Mr Adams: I represent Energy Probe. I have not specifically asked any other participants or stakeholders in the electricity sector as to their participation, but I'm not aware of any who are participating in the preparation of new regulations. I, personally, am utterly in the dark as to what the intention is for future regulation.

Mr O'Toole: The industry today told us—the large consumers—that we could expect a 30% to 50% increase in the price of electrons. Is that going to have an impact on the economy that drives the rest of our standard of living?

Mr Adams: Electricity prices and overall public welfare are not directly related. All else equal, lower prices are a good thing. But Ontario has, for about a generation or perhaps longer, not paid the full cost of electricity. That's an unfortunate mistake that will take us perhaps more than a generation to pay off. At the current rate, we're not paying it off; we're actually accumulating additional debt. So I disagree with the analysis that's been presented by some political commentators, complaining that Bill 100 is flawed because it lacks the capacity to direct that customers get lower prices.

The Acting Chair: Thank you for appearing before the committee.

POWER WORKERS' UNION

The Acting Chair: Our next presenter is from the Power Workers' Union, Don MacKinnon—

Mr Peter Kelly: Brother Peter Kelly standing in for Don.

The Acting Chair: Brother Peter Kelly, yes. You're filling in, Peter?

Mr Kelly: Yes. Don's in Barrie with the Hydro One board of directors.

The Acting Chair: Welcome. Nice to see you, too. You know the routine; you have 15 minutes.

Mr Kelly: The Power Workers' Union has a number of key concerns arising from the provisions of Bill 100 and its anticipated restructuring of the electricity sector in Ontario.

(1) The PWU recognizes the important role that the new Ontario Power Authority (OPA) is intended to have in power system planning. The PWU is particularly pleased by the specific legislative recognition of the im-

portant role of integrated system planning, as prescribed by section 32 of the bill, in the development of a reliable, economically efficient and sustainable power system.

One key mechanism that is necessary to ensure the success of this proposal is that the OPA's process in the development of the integrated power system plan (IPSP) be a public one, with the opportunity for meaningful participation, particularly from key stakeholder groups. It is imperative that there be stakeholder participation in the process development of the IPSP, and not just an after-the-fact review.

Any plan ultimately produced by the OPA after its process must be made public in order to facilitate public scrutiny and comment. The government should confirm this publicly in the legislation in order to instill confidence in the process.

(2) A changed mandate for a regulatory agency can often lead to the burgeoning of an unnecessarily large bureaucracy. This must be avoided, particularly where the regulatory burden of such agencies will be paid for largely by Ontario's main heritage companies, Ontario Power Generation and Hydro One. The government has the ability to, and must ensure that, the OPA and OEB are kept to a reasonable size and level of cost.

(3) Another prerequisite to the success of the OPA's IPSP process is that the OPA be genuinely independent and be seen to be genuinely independent.

In addition to being independent, the OPA's process must be completely non-ideological, basing its deliberations on good science and sound economic analysis. As a result, the PWU believes that the OPA's process must be entirely unfettered by any preconditions on the options available to it, other than the best interests of the province. In particular, it is submitted that in order to be perceived to be credible and authoritative, the OPA's analysis must be unfettered with respect to generation type, generation provider, and preference for transmission, generation—including distributed generation—or demand management solutions.

Moreover, it is expected that any IPSP process undertaken by the OPA would include a consideration of local effects.

It is expected that any IPSP would be transparent in the sense that it would contain an analysis of the competing alternatives, with an assessment of the costs and benefits of each alternative, together with a justification for the recommended alternative.

The scheme established by the current version of the bill is not consistent with this important objective. Specifically, subsection 25.28(2) of the amended act would make the OPA's development of the IPSP subject to ministerial directives with respect to a variety of political policy objectives. This restriction is a significant restraint on both the independence and transparency of the IPSP.

The PWU recognizes the legitimate role that government policy choices may play in the ultimate composition and configuration of the power system in the province. However, these policy choices should be made openly and with the benefit of complete information

provided by an IPSP developed without any ministerial or other preconditions or limitations. As a result, the PWU submits that the bill should be amended to provide that any ministerial directive shall be delivered only after the receipt of a completed IPSP. This amendment would assure both stakeholders and the public that decisions regarding the electricity system will result from reasoned analysis and not political interference.

Finally, while the OPA's mandate to create an IPSP is important, the mandate should not be exercised in an inefficient manner. The expertise that currently exists at Hydro One, for example, to engineer, design and construct transmission lines is such that the appropriate role for the OPA would be to make recommendations with respect to the need for a transmission line but leave the details of design, engineering and construction to the existing expertise of Hydro One. Any involvement in these areas by the OPA would be duplicative, inefficient and unnecessary. The PWU requests confirmation that the OPA, while being responsible for the broad issues of power mix, will not be involved in implementation issues currently carried out by Hydro One, which will remain the transmitter of power in Ontario.

(4) The government should seek to preserve and enhance the value of its assets, and thereby enhance the value of the property of the people of Ontario. Two of the largest of these assets are OPG and Hydro One, the prime inheritors of the assets of Ontario Hydro, which for so long drove the economy of this province.

The PWU recommends that the government use its authority to make regulations and shareholder agreements and that the minister use his power to issue directives so as to ensure that OPG and Hydro One can participate meaningfully, without interference, in the new electricity system in the province. For example, there is no need to inflict the possibility of having third-party market entrants taking pieces of Hydro One's transmission or distribution system or to cause that system to stagnate by taking new distribution opportunities away from Hydro One. Directives can and should be issued to the regulatory agencies to prevent this from happening.

(5) The bill must guarantee a smooth transition for affected employees.

One of the undeniable successes of the electricity market restructuring undertaken in 1998 was the smooth transition provided to affected employees, protecting their jobs and representation through a period of dramatic change and uncertainty. Having survived and thrived through this period of tumultuous change, these employees deserve to be reassured that an attack on their employment security is not an ulterior objective of this new round of market restructuring activity.

The bill in its present form contains only a modest recognition of this issue. Specifically, the provisions of XI.1 contain transitional provisions with respect to the transfer of functions from the IEMO to the OPA and the OEB. However, these provisions do not go far enough either in their scope or in the nature of the protections provided.

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Even if the terms and conditions of employment of these specific workers will not be affected, this does not recognize the circumstances of these unionized workers or other unionized workers affected by this restructuring. In particular, it does not recognize that a critical and hard-fought aspect of the terms and conditions of the employment for unionized workers is their collective agreement, including the recognition of their bargaining agent. These are cherished and important issues for the people who produce and transmit Ontario's power.

It is important to recall that all of the functions to be performed by all the various entities under the act, however they are ultimately restructured, were performed originally by Ontario Hydro. The 1998 restructuring was achieved by the then Conservative government without any erosion of bargaining rights. All entities that inherited any work from Ontario Hydro also inherited Ontario Hydro's collective agreements and bargaining rights. There is no reason that this restructuring cannot proceed with the same respect for bargaining rights. As a result, it is submitted that the following additional protections be embodied in the bill.

(a) All unionized workers affected by a transfer of function from the IEMO to either the OPA or the OEB will automatically continue to be represented by the same bargaining agent under a collective agreement providing the same terms and conditions as prior to the transfer.

(b) Although not explicitly mentioned in the bill, the objects of the OPA appear to suggest that it will be assuming certain functions formerly undertaken by Ontario Hydro and subsequently by various Ontario Hydro successor companies, including OPG and Hydro One. If this occurs, affected employees should be entitled to the same protections as described above. Specifically, those employees should continue to be represented by the same bargaining agent under collective agreement providing the same terms and conditions as prior to the transfer.

(c) The bill appears to contemplate the possibility of a decommissioning of some or all of OPG's coal-fired generation facilities prior to the end of their economic lives. In that event, this generation capacity would have to be displaced and replaced by an alternate capacity, presumably procured by the OPA. Such events would simply constitute a transfer of part of OPG's generation function to other generators. As a result, affected employees should be entitled to the same protections as described above. Specifically, those employees should continue to be represented by the same bargaining agent under a collective agreement providing the same terms and conditions as prior to the transfer.

(d) By the same token, it's apparent that any new generation procured by the OPA, as distinct from any new merchant generation, will essentially be fulfilling a function performed by OPG, and before it by Ontario Hydro. As a result, employees of those generators should be represented by the same bargaining agent, and affected employees should be entitled to the same

protections as described above. Specifically, those employees should continue to be represented by the same bargaining agent under a collective agreement providing the same terms and conditions as OPG.

(6) The PWU acknowledges the government's legitimate objective in specifically advocating and facilitating the adoption of alternative energy sources in the bill. The PWU believes that clean coal technology is an exciting option for economically sustainable generation that is more environmentally benign than existing generation. It appears that clean coal technology would meet the definition of an "alternative energy source" in the bill. Similarly, there have been significant advancements in Candu technology that will make the nuclear option an even more environmentally sound generation source. The PWU welcomes the government's open-mindedness on the use of such technologies and urges it to promote both these technologies, as well as others, as the bill proceeds through the legislative process and it proceeds to write regulations.

(7) One notable deficiency of the bill is the failure to recognize electrical system safety as one of the statutory purposes enumerated in section 1 of the act. Specifically, proposed section 1(f) of the act should be amended to include "safety," together with "adequacy, reliability and quality of electricity service." This objective may be perceived to be so fundamental that it can go without explicit mention. However, the PWU submits that its importance cannot be overemphasized. This recognition is consistent with the important role of the Electrical Safety Authority, the existence of which is continued elsewhere in the act. It is also consistent with the need for the smooth transition for employees referred to above.

The PWU membership represents the only large base of expertise in the province with respect to the safe and efficient operation and maintenance of Ontario's complex electricity generation and transmission system. It is essential that the high standards of training and concern for public safety embodied in the PWU membership be maintained as new generation assets are added to the system. As a result, there should be explicit reference to safety embodied in section 1(f) of the act. Thank you, Mr Chairman.

The Acting Chair: Thank you, Peter. Well said.

We have time for two questions: one to Mr Prue and one to Kathleen Wynne.

Mr Michael Prue (Beaches-East York): My question will relate to what I perceive as a difficulty for your members should this government decide to privatize portions of the generation. Can you explain to me, because I'm having some difficulty understanding this, how the government would ensure that a new corporation—let's use Enron, because they're not likely to show up here.

Mr Kelly: I hope not.

Mr Prue: I hope not. Let's use them. Enron takes over and builds some big facility and hires staff. How does the government force Enron (a) to be unionized, (b) to choose your union, and (c) to choose your people and put

them in there? That's what I'm having difficulty with, and that's why I know you're upset about this. How would the government do that?

Mr Kelly: The government is able to give encouragement to employers and pass legislation. Various governments pass legislation to govern practically every aspect of my working life. So I'm assuming that the ability to pass legislation if persuasion wasn't sufficient would be within their purview.

Mr Prue: Just a small supplementary. So what you're asking them to do, should they decide to privatize, is to ensure that the rights of the workers who are presently with Hydro One and OPG are protected and that their jobs are protected if transferred to a private source?

Mr Kelly: Yes. For example, when now-defunct British Energy took over the Bruce Power assets in a lease arrangement, the existing employees and the collective agreement went with them. When Brascan purchased the hydroelectric stations on the Mississagi river system, the collective agreement and the employees went with that.

I understand that's a different question than you're asking. You're asking for new builds. When the Brighton Beach facility was constructed in Windsor, it was a joint partnership with Atco and OPG. We were able to persuade OPG and the new partner that we would negotiate a collective agreement with that group, which we've done. We represent people who work for TransAlta in Ontario. This has all been done through persuasion and employees voluntarily seeking to be organized by us.

If the government is going to go ahead in its plan, we believe they should take a step further than that, along the lines, as I said, of persuasion or legislation.

Ms Wynne: Certainly I take your point about the transition for employees—the bill doesn't deal with those human resource issues—and I take your point about safety and defer to your expertise.

I have a question about the point you make about subsection 25.28(2). You talk about the idea that there wouldn't be any ministerial directive until after a completed plan. As I read the legislation, the point is that the government would have the opportunity to set some goals in place. My question is, are you worried about goals or is it the phasing out of the coal plants that is the big concern? Because that's one of the goals that is set out in the legislation, which in fact is something the government is committed to.

Mr Kelly: It's a two-pronged concern. Obviously we're worried about a government forcing a supposedly arm's-length, stand-alone agency to follow a policy that agency doesn't believe in. Obviously we have concerns about the coal issue. However, in the future, our concerns are—obviously the government has the right to set policy. We're not for one minute suggesting that—

Ms Wynne: There's a philosophical framework that a government is going to operate in, and as I read this legislation, that's what those goals would reflect: cleaner air—

Mr Kelly: It would make a bit of a mockery of a supposedly independent system of evaluating what's best

for the province, which we presume is the directive for the OPA, if in fact behind the scenes they were being directed and controlled by ministerial directive. We believe that should be—allow this agency that you're going to establish to make its best deliberations and whatever recommendation it so chooses, and then if it doesn't fit with your policy, correct it.

Ms Wynne: That seems to me like a backwards process. Let's know what the policy is up front—

Mr Kelly: It's a far more open process.

Ms Wynne: But let's know what the policy is up front. Let's know what the framework is, set the goals and then write the plan. Then you don't have to go back.

Mr Kelly: In our view, with all due respect, that makes a bit of a mockery of the process.

Ms Wynne: Well, I think we're going to have to agree to disagree on that, because what the bill does is set that parameter in place and make it clear what the philosophy is.

The Acting Chair: We appreciate your being here, Peter.

Interjection.

Mr Kelly: Sorry I can't answer. I'd like to respond, but Mr Craitor has cut me off. I'd be delighted to respond. Thanks.

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TORONTO ENVIRONMENTAL ALLIANCE

The Acting Chair: Our next presenter is from the Toronto Environmental Alliance, Keith Stewart. You have 15 minutes. Use it all. If there's any time left, we'll allow questions of you.

Mr Keith Stewart: Thank you very much for allowing me to address you today. My name is Keith Stewart. I work for a group called the Toronto Environmental Alliance. We're a non-profit environmental group based just down the street. We're also a member of the Low-Income Energy Network and the Ontario Electricity Coalition.

Personally, I had the pleasure of writing a Ph.D. dissertation on environmental policy in Ontario, which gave me an abiding interest in electricity policy in this province, and just finished co-writing a book with Jamie Swift on the decline and fall of Ontario's electric empire that will be published this fall, well before second reading of the legislation, so we'll try to make sure you all get a copy.

Interjection.

Mr Stewart: Oh, yes, for all of you.

Looking back provides some interesting lessons for the future. One of the things that I've been thinking about is, are we about to make the same mistakes of the past, or can we recapture some of the energy and initiative that drove the creation of our electricity system over 100 years ago as we re-create it in the coming decade?

As Ontario looks back to last year's blackout and looks forward to the future of the provincial electricity system, it's worth remembering that this is not the first

time an Ontario government has come to power promising to fix the electricity system and end Ontario's reliance on coal-fired power.

The year was 1905. Ontario had been relying on American coal and an unregulated market to deliver the novelty that was electricity. As a result, very few people had it.

The new Conservative Premier, James Whitney, had the people cheering and the big banks sputtering when he promised electricity "should not in the future be made the sport and prey of capitalists and shall not be treated as anything else but a valuable asset of the people of Ontario." He'd been driven to this very un-Tory-like rhetoric by one of his own new ministers, cigar box manufacturer, political renegade and long-time London mayor Adam Beck. Beck went on to achieve Ontario's first coal phaseout by launching a populist campaign for Power for the People that educated, exhorted and organized in the face of opposition from what he called the "big interests" at the time—the banks and the private power speculators—and even some within his own party. He sought to spread the benefits of "white coal," the province's abundant hydro power, to everyone.

Beck ensured that Ontario farmers got the benefits of affordable electricity well before their counterparts elsewhere in North America. We also got off coal, albeit temporarily. Along the way, Ontario built a powerful instrument of public policy. In turning aside the attempt to privatize the electricity grid in 2002, Justice Arthur Gans described Hydro, as it's still often known, as "one of the defining characteristics of the province."

Adam Beck was knighted for his efforts. His statue still scowls up at us from University Avenue and Queen Street, watching what we're doing here today. If he'd been kept abreast of what's been happening recently, he'd no doubt be spinning fast enough in his grave to generate a little electric power down there all by himself.

Ontario's public power system was eroded by a nuclear gigantism that plunged the old Hydro into debt and a turning away from the democratic impulse that gave it birth. Then came the more recent attempt to hand the electricity system back to the big interests that Beck so often decried. Privatization has been temporarily turned back in the face of public outrage and the collapse of some of the free-market energy swindlers like Enron, but it still lurks, waiting in the wings.

What I'm trying to come to is that today we stand at a watershed moment. Where we go depends on whether we take a public-spirited, thoughtful approach or continue with the nuclear gigantism and ecological arrogance that got us into our current fix.

The new electricity legislation that's before us today will reintroduce planning into the system, which I believe is a real plus, since the invisible hand of the market produced only chaos. But we should be asking what kind of planning we will have. Are we planning for the needs of the whole system or just the big power companies or industrial consumers?

Planning for the whole system would mean ensuring that everyone has access to sufficient, safe, reliable and

affordable power generated by a new system that neither cooks the planet nor leaves our great-great-grandchildren a multi-billion dollar legacy of poisonous nuclear waste.

In the past, Ontario's power planning hierarchy was straightforward: First, you build as many really big power plants as possible; second, you launch sales campaigns to sell more power, because you've spent so much money building the plants; and, third, toward the end, maybe do a little bit of conservation on the side to keep us ecotypes quiet.

One hundred years after Beck, we need to invert this hierarchy and defend the interests of the most vulnerable. This will require addressing a number of gaps in the proposed legislation. The first priority must be to wean planners away from the big-is-better world of nuclear power and giant coal plants by establishing a planning hierarchy that will guide the Ontario Power Authority or, as I'd like to think of it, the Ontario conservation authority, with a new generation secretariat buried within it.

The first priority must be to maximize the contribution of efficiency and conservation. A recent study by the Pembina Institute, which you'll be hearing from later today, showed that Ontario can cut power consumption by 40% by 2020, and do so affordably. According to the economists out on the west coast that they hired to do the study, an \$18-billion investment in energy conservation and efficiency does the same job as a \$32-billion investment in nuclear power. You don't have to pay for fuel or retubing, while the consumers make 96% of the efficiency investment back through lower bills.

The second priority must be to maximize the contribution of renewable power from run-of-the-river hydro, wind, solar and geothermal sources. I found it instructive that the recent request for proposals for 300 megawatts of green power resulted in offers to build 4,400 megawatts, suggesting that there is a huge potential. If you follow the money, however, the \$500 million that John Manley told us it would cost to restart another unit at the Bruce has now become \$900 million when it was approved recently.

To truly tap renewable energy, we need to get the public involved through European-style renewable tariffs, which you heard about yesterday from the Ontario Sustainable Energy Association. If we ramp up the contributions of conservation and green power, we may still need additional power during the transition. Then we should meet the remaining demand through least-cost—and this means including environmental and health costs—non-renewable sources such as natural gas which are used as efficiently as possible. If we're going to burn natural gas for heat, we might as well generate power at the same time.

A second gap in the legislation relates to the stated purposes of the act. To protect today's smog-scarred lungs and future generations from both climate change and nuclear waste, we should include the protection of public health and the environment as one of the purposes of the legislation. This purpose must in turn be integrated

into the mandates and activities of all of the agencies created to run the system, including the Ontario Energy Board.

Third, we must ensure universal access to adequate energy as a basic necessity, while minimizing the impacts on health and on the local and global environment of meeting the essential energy and conservation needs of all Ontarians. Too many families in this province are having to choose between eating and heating, yet traditional conservation programs almost never touch low-income consumers and we have no long-term plan to ensure that poor people have access to this basic necessity.

I've brought with me, and I can make available to your research person, a study on low-income energy conservation assistance that TEA submitted recently to the Ministry of Energy and the types of programs that will help achieve that.

Low-income consumers, especially tenants, must have access to both the conservation programs that will sustainably reduce their bills and measures which ensure them an adequate supply. This should not be an option. It must be a provincially mandated requirement for all of our electrical utilities and related agencies and be integrated with the changes to the legislation governing both tenant protection and social assistance. You'll hear more on this later today from the Advocacy Centre for Tenants Ontario and in the future from the Low-Income Energy Network.

Fourth, we should take advantage of the opportunities with the rebuilding we're going to have to do to create new green jobs in the province by making long-term commitments to both conservation and renewables. But we must also develop "just transition" programs for workers affected by changes in the electricity system, such as the closure of the coal plants and the phase-out of our nuclear plants, so that the workers don't bear a disproportionate share of the costs of these changes.

Finally, we must ensure that the rules we develop to promote conservation and green power are NAFTA-proof by keeping the system under public control. We don't want the big transnational energy companies using chapter 11 of NAFTA to sue Ontario for lost profits due to energy conservation programs. If you spend \$18 billion to reduce demand by the equivalent of \$5 billion per year, you can bet those companies will be using every tool at their disposal if you've allowed them in the door.

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You heard from John Wilson yesterday on this point, and I look forward to the government's response to the questions he put to you on legal opinions you have regarding the impacts. I would also refer you to the report prepared by Steven Shrybman on this point.

Thank you very much for your time. I'd be happy to answer any questions you may have.

The Acting Chair: Thank you very much, Mr Stewart. We have time probably for two questions, if they're direct.

Mr O'Toole: I thank you very much for your presentation. If I look at schedule A, which is basically the

purpose of the act—the 10 points there—there's one section, clause 1(d), that says, "to promote the use of cleaner energy sources and technologies, including alternative energy sources...." Then you go into section 2 and it talks about alternative energy sources, which will be described in regulation. If you go on to subsection (10) of that section, it goes on further and would really potentially allow for nuclear being defined as renewable, as well as coal, technically, if it's a newer technology—selected catalytic converters etc. Could you comment on that? Is this going to satisfy you or is it too loose?

Mr Stewart: Obviously, how the regulations are written is very important, particularly on these points.

Mr O'Toole: You're being consulted on the regulations?

Mr Stewart: We hope we will be consulted on the regulations. At the moment, we've just had fairly informal discussions on general directions with people from the ministry and the government.

In terms of the definition of green power, there is the federal government EcoLogo definition, which still needs some tweaking but is on the right track. There's no way in hell that nuclear power would make it through. Anyone who would like to think that is welcome to take a swim in one of the high-level waste containment pools. I was in the Bruce Power station last summer, and when I came out, I couldn't make it past the radiation detector. So we went out a different way to go past one that wasn't quite as sensitive.

I would also say that clean coal would not make it through such a screen, and neither would large-scale hydro. With hydro, it's very much dependent on site. It's hard to set very general parameters, because it depends on local ecological conditions. But many small-scale hydro dams or run-of-the-river hydro would qualify.

There have been extensive discussions between environmentalists and industry in developing the EcoLogo definition, and we think that should be the starting point.

The Acting Chair: Thank you very much. We are out of time. I apologize, Michael.

Interjection.

The Acting Chair: Yes, we'd like the report. A copy will be provided to every member.

ROBERT STASKO

The Acting Chair: The next presenter is from Science Concepts International. You've got 15 minutes.

Mr Robert Stasko: Thank you, Mr Chair. Good morning. My name is Robert Stasko, and I'm pleased to address this group on the proposed legislation, Bill 100. I'm not here representing any official organization today. However, I am representing a constituency within the energy sector. I'd like to speak on behalf of those agencies and individuals who are committed to the development and application of the next generation of improved energy technologies for the people of Ontario.

I've been in the electricity sector for over 30 years, both here in Canada and abroad. I have a wide experience

in everything from nuclear operations at Pickering to development of advanced solar energy technologies for Ontario Power Technologies. I've also been seconded to the Ontario Ministry of Energy on two separate occasions as a senior policy adviser, and as it happens, I've served under governments from all three political parties represented here on the committee. However, most of my career has been spent on the development and commercialization of new energy technologies in the electricity sector. I'm an unrepentant techno-geek and have been involved in everything from hot fusion to electricity generated from cow manure.

From my perspective, Bill 100 is a major step in the right direction as part of a broad government recognition of the importance of electricity. However, as is often the case, the major themes of new supply, regulation versus private sector, electricity cost, energy mix and overall governance issues have pushed the issue of promising new technologies into the shadows. As a result, I'm concerned that a major opportunity to correct a serious problem may be missed.

If I can just direct you to the handout, there's a schematic on the lower half of the cover page that basically shows what the emerging energy network is likely to look like in the next decade. While much of the conventional grid will still be in place—that is, central generation, high-voltage transmission and local distribution to end users—many so-called distributed generation facilities will also be in place.

What is distributed generation? It is smaller, often modularized facilities, usually under 10 megawatts, and likely one day to be pervasive and as low as five kilowatts. DG power is usually generated very close to where it's consumed, thereby minimizing the need for wires, grid and other secondary sources of power. Users of DG technology can achieve some significant degree of energy independence. Fuels can be anything from conventional natural gas to renewables like wind and solar.

I have what I would not consider an exhaustive list of distributed generation technology, and I'll just quickly go through it: fuel cells, micro-turbines, wind turbines, Stirling engines, advanced gas turbines, mini-hydro and run-of-the-river hydro, photovoltaic or solar power, biomass conversion, hydrogen infrastructure and on-site energy storage. Please note that some of these technologies, such as wind, are no longer in the early development phase but are essentially commercial, for all intents and purposes. Others are only beginning to be deployed and typically only in niche applications. In addition, while wind technology is now proven, hybrid systems, such as wind-hydrogen, where off-peak power is used to store hydrogen for on-peak usage, is still in its infancy.

What are the benefits of distributed generation? Recent technological advancements mean that DG is often as efficient, if not more efficient, than large capital-intensive central generation—often higher than 80% when you look at combined heat and power applications. Because of this, you make better utilization of electricity

transmission and distribution assets. Often there are better or no emission profiles when compared to conventional or incumbent technologies. Basically, we're moving toward a more sustainable set of technologies. We can make use of renewable energies such as landfill gas, waste water treatment gas and biofuels. One last thing, of course, is that this creates a more ideal electricity market, because you have many sellers rather than a handful of large sellers.

I just want to mention briefly that there are some technologies that we also consider to be developing technologies on the conservation side: things like high-efficiency lighting, metal halides and advanced non-compressor chilling systems. I'm going to cluster these with technologies that need demonstrating and need to be developed as part of a broader DG strategy.

System benefits don't always flow to the user when they use these new, emerging technologies. In fact, they take all the technology risk, whereas the system benefits can often be significant and they don't capture them: deferred local distribution, capital investment, system stability, peak shaving, market functionalities. There are also significant social and environmental benefits to distributed generation, again not captured by the early adopter. So the early adopter very often takes all the technology risk, and it's a lot of early risk.

There are other barriers to the deployment of DG technologies, such as connection codes and standards; net metering issues with the local distribution utility, because they're going to lose revenue; and uncertainty about the future pricing of fuels and electricity. But the biggest risk for an early adopter is always that technology risk: Will the product be reliable and maintainable?

What does this have to do with Bill 100? Right now when I look at Bill 100, I see minimal specificity about distributed generation and how it can contribute as part of a broader conservation, efficiency and peak-shifting clipping strategy. There is absolutely no mention of the key role of R&D in bringing the next generation of energy technology forward. By that, I don't mean bench-top R&D but basically the demonstration pilot plant kind of thing that gives people comfort with a new technology, so that more people will be comfortable with it.

Also, there is no object in the Ontario Power Authority designation that clearly designates this as part of the mandate, and I want to touch on that a little later. I would feel that the OPA is actually the most appropriate agency in the new electricity firmament to take on the role I'm proposing here. If it does not, I don't see that any other entity will.

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What have other jurisdictions done along those lines? I'll just list a few.

NYSERDA, the New York State Energy Research and Development Authority has a budget of hundreds of millions of dollars, has thousands of demonstration projects—funded partly through a system-benefit charge, partly through industrial contributions and partly through a number of sources—and is very effective in bringing

conservation, energy efficiency and distributed generation technologies to the fore.

The California Energy Commission; the University of California Energy Institute; IREQ in Quebec, which has a \$100-million budget; AERI, in Alberta, which does a great deal of energy research and pilot demonstrations, albeit mostly petro-fuel research—I could go on, but I won't.

I'll talk a little bit about our past programs in Ontario.

Ontario Hydro, at one time, had 1% of its gross revenue dedicated to R&D; that's about \$80 million. Half of that, mind you, was for nuclear things, but the other \$40 million was basically for the kinds of things we're talking about: DG and energy efficiency products. The Ministry of Energy also had a budget of about \$10 million to \$20 million for such R&D projects. These funds were used to lever significant amounts of federal and municipal dollars, and also from the private sector.

Our present situation is not good. As of now, Ontario Hydro Technologies was sold to an offshore private company, along with about 75% of Ontario Hydro technology-related intellectual property.

The two successor companies, OPG and Hydro One, have a combined budget of about \$3 million to \$5 million—that's it—for this kind of activity, for non-nuclear R&D. That could easily shrink as part of the new restructuring. Of course, I don't know the exact figure, because it's not public knowledge. The Ministry of Energy, as it is right now, has no R&D dollars and no program funds. It's basically a policy shop.

What are the consequences of inaction?

The pace of deployment for newer, more environmentally progressive, efficient technologies will be limited. They won't contribute as much as they could to the new energy market place. The opportunity to ensure a much larger contribution from distributed generation will be missed and the economic benefits of developing a new "sunrise" energy technology sector in Ontario will never be realized.

What should Bill 100 have to include?

I would submit that a clear designation, responsibility and mandate for the Ontario Power Authority to support pre-commercial energy R&D via co-funding of pilot projects should be in the mandate.

Ensure that early adopters of emerging energy technology can mitigate investment risk through various policy and program instruments defined by the OPA.

The OPA will partner with other government agencies, NGOs and private industry to showcase new applications of DG technology.

Finally, appoint an R&D advisory committee to address the specific needs of the energy sector.

It's entirely possible that the OPA will have identified these needs and embark on a process of technology development activities. However, it may not. This should not be left to chance. Just as the government has specified a conservation directorate within the OPA, so should it designate a role for R&D demonstration projects and the emerging role of distributed energy solutions.

The Acting Chair: Thank you very much, Robert. We do have time for some questions, and I'll start with Mr Prue.

Mr Prue: We all recognize the need for research and development in many phases of a modern, technological society. But can you tell me, if New York state is spending \$100 million and all other states and provinces are spending the money, would it not—I'm just being devil's advocate—pay this province to just borrow the technology? It can't be that much different than what exists in Ontario. Let them develop it; let us buy it. How are we to save money if we're to do it ourselves?

Mr Stasko: That's certainly one approach. You're right; one could argue that there's a continuum from an extreme of basically funding everybody else's R&D to harvesting it. I would suggest the middle road, a middle ground between those two extremes. Well, we're not they're now. If we've gone from about \$100 million of co-funding—and I stress co-funding—for this kind of activity, and we're down to about \$3 million to \$5 million—and that's at risk—I would say we're at the far end of the spectrum.

Earlier I mentioned the economic benefits. If we can advance distributed generation technologies more rapidly here in Ontario, not only does it contribute to our energy mix, which we all benefit from locally, but we have an economic opportunity of, as I mentioned, starting a whole new industry here, or actually taking an industry that's already here and keeping it here.

The Acting Chair: One last question, Mrs Cansfield.

Mrs Cansfield: I have a question around the R&D. I concur, obviously, that you need research and development to move forward. But currently, with the \$225 million that was allocated under Bill 4 to the local distribution companies on the demand side, a number of those initiatives that are going forward are pilots on research and development. Would you be suggesting that all those local distribution companies must go to the OEB for approval of whatever they're proposing for the demand side, that part of the requirement that OEB should be considering is a research and development component toward that \$225 million for the demand side? Would you think that might be one option?

The other question is, are you suggesting that that R&D component fall under the OPA or the conservation bureau?

Mr Stasko: Excellent questions; I guess there are at least two parts there. To the first part, I'd never considered the OEB as a mechanism, although it certainly has merit. I thought that that \$225 million might be allocated to R&D activities or pilot project activities. What I kind of saw, though, is that they would be more driven toward what I would look at as system benefit opportunities. I still think the OPA has a central role to co-fund such projects, and if they co-funded with the local municipal distribution utilities, more of these projects would roll forward.

As to your other question—I'm sorry; maybe you could repeat it.

Mrs Cansfield: Currently, economic trade and development have been allocated a certain amount of money toward R&D. Are you suggesting that it should fall under the OPA or the conservation bureau once Bill 100 is enacted, as opposed to economic trade and development?

Mr Stasko: I'm afraid to comment on that because I don't want to take away anything from the MITT. I should mention that I'm aware that MITT is moving forward with some of these types of technology development programs. For instance, fuel cells: I'm aware of what they're doing on fuel cells and it's very laudable, but it's aimed at the auto sector for the most part. So they're not looking at the energy sector other than, I guess, collaterally.

Mrs Cansfield: So maybe the other is an integrated thought process when R&D occurs, that it is a cross-sector kind of thinking.

The last question: A lot has been said about the issue around the regulations, which the minister has indicated would be made public in draft form. But I think between us we've met with somewhere between 500 and 600 people, and you were part of that process too, where folks in fact did identify barriers, so that as the regs were being formulated, that consultation did take place. I just want to get it on the record that in fact there was a significant number of people, including Mr Adams, who were part of that process. He may not have thought he was, but he certainly had a great deal of input into it. I thank you for your input as well.

Mr Stasko: Thank you.

The Acting Chair: Thank you very much, Robert.

Mr O'Toole: On a point of order, Chair: Mrs Cansfield has mentioned that there was a draft issue of regulations. You said there was a draft of regulations out for consultation with Mr Adams and—

Mrs Cansfield: No, I didn't; I'm sorry. I said—

Mr O'Toole: You implied that.

Mrs Cansfield: —toward draft regulations, and the minister indicated that when the regulations were in draft form, they would be made public for comment and consultation. He said that in his speech.

Mr O'Toole: I'd like to be on the record as wanting a copy of the regulations in draft form when they're available.

The Acting Chair: You're on the record. Thanks again, Robert.

ELECTRICITY MARKET INVESTMENT GROUP

The Acting Chair: The next presenter is Robert Power, from the Electricity Market Investment Group.

Ms Leigh-Anne Palter: Good morning, Mr Chair.

The Acting Chair: Good morning. You have 15 minutes. Use it all, or if there is any time left, it will be allotted to questions.

Ms Palter: My name is Leigh-Anne Palter. I'm vice-president, regulatory affairs, for EPCOR Utilities Inc. I'm pleased to appear before you this morning on behalf

of the Electricity Market Investment Group, otherwise known as EMIG. Mr Power is here with me this morning. He acts as counsel to our EMIG coalition.

EMIG is a coalition of large-scale private sector electricity generators, wholesalers and retailers who are interested in investing in Ontario. Representing a broad cross-section of market participants, we put aside our normally competitive interests around about November 2002 in order to work together to provide recommendations to government and key policy-makers around electricity sector reform, with the goal of seeing a strong competitive market as the best mechanism for meeting Ontario's needs.

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We would like to say at the outset that we appreciate the commitment to meaningful stakeholder consultation around the development of this legislation that has been demonstrated by the staff of Minister Duncan's and Premier McGuinty's offices. We understand the challenges the government has had to face regarding the electricity sector, and EMIG is committed to working with the government of Ontario to achieve its stated objective of a hybrid electricity sector and to help ensure that the competitive aspects of the hybrid approach work.

As a group, however, we are concerned because we do not as yet see a hybrid approach in Bill 100. For the most part, the details of this bill address the regulated side of the hybrid only.

I'm moving to page 4 now. If the government is truly committed to a hybrid approach, the bill and its subsequent regulations need to support the development of a robust, forward market which has many buyers and sellers and where electricity is purchased on a forward basis and not just hour to hour on the spot market, as was the case under the previous market design. If a robust market does not emerge, then the government will not achieve the necessary investment and assumption of risk in new generation by private sector organizations such as ours, and there could well be a return to the old days of Ontario Hydro where the government and taxpayers assumed all of the financial risks associated with the construction and operation of new generation facilities.

The following is a brief overview of EMIG's key concerns with respect to Bill 100 and its subsequent regulations, which we understand are currently in various stages of development.

Moving to page 5: We're concerned that the absence of any reference to competition in the bill sends a negative signal to potential investors. Together with considerations of efficiency and consumer protection, the object of requiring the facilitation of competition, as previously contained in the Electricity Restructuring Act, is a principle that has figured prominently in a host of primary and secondary regulatory instruments, including OEB decisions, rules, codes, transactional protocols, consumer protection measures, wholesale market rules and more. Therefore, EMIG recommends that the objective of competition be reinserted in the act by modifying section 1(g), as illustrated on page 5, "to pro-

mote investment and economic efficiency in the generation, transmission, distribution and sale of electricity.”

Slide 6: We would similarly like to see the following amendment made to subsection 1(1) of the Ontario Energy Board Act, which would then read, “To protect the interests of consumers with respect to prices, choice and the adequacy, reliability and quality of electricity service and to promote the delivery of benefits to consumers which are achieved through the development of competitive markets.”

Finally, we recommend that subsection 1(2) of the Ontario Energy Board Act be amended to read, “To promote investment, economic efficiency and cost-effectiveness in the generation, transmission, distribution, sale and demand management of electricity and to facilitate the maintenance of a financially viable and sustainable electricity industry.”

The reinsertion of competition into these three key sections of the legislation will send a strong signal to investors that there will be an ongoing commitment to ensuring a balance between the regulated and competitive aspects of this new hybrid market.

Moving to the role of OPG, on page 8: Bill 100 is currently silent on the future role of OPG, which is of serious concern to EMIG members. Recent announcements, such as the Beck tunnel project, Pickering A and OPG's potential involvement in the 2,500 megawatt clean generation RFP, have done little to provide clarity around the nature of OPG's role going forward. EMIG acknowledges that the Beck tunnel and Pickering A projects may be warranted as quick solutions to current capacity constraints facing the province. However, the awarding of these projects does little to allay concern that private capital may be forced to compete against a publicly owned and financially backed generation builder on an ongoing basis.

Page 9: We'd like to explore some solutions. OPG should not be in competition with the private sector. So long as OPG remains provincially owned and/or holds a significant market power, OPG's role in future competitive generation investment should be limited to making potential generation sites available to market investors in order to facilitate private investment and risk assumption. It is EMIG's understanding that the regulations will not deal with the future of OPG, but rather this will be dealt with in the OPG shareholder agreement expected early this fall. We strongly advise that the government should clearly separate OPG's regulated and unregulated assets and business functions. Furthermore, OPG's unregulated assets and related output should be available for forward contracting and subject to market power controls in respect of bidding behaviour. This is essential to the government's goal of achieving a hybrid electricity sector with private investment and assumption of risk.

The bottom line is that private investors need certainty that OPG will not be a major competitor given its existing market dominance.

Moving to the size of the competitive pool: Critical to ensuring the development of a robust market, it is im-

perative that the regulations under the act state explicitly which assets are to be included in the regulated sector and which will be in the competitive sector. Similarly, it should be made clear that all future generation development should be in the competitive pool.

Bruce Power nuclear facilities should not be added to the regulated pool. This facility is an example of the very type of private investment and risk assumption that should be fostered in the new structure and represents a volume of energy that is critical if any prospect for adequate market liquidity is to be maintained.

With respect to the size of the competitive pool, the bottom line is that minimizing the scope of the regulated asset pool helps to create multiple parties available to buy and sell, which is one of the key cornerstones to a healthy and sustainable competitive marketplace.

You've already heard many people this morning speak to the need for many buyers and sellers. Currently, residential and small-volume customers in Ontario consume approximately 50% of the province's total demand. This demand must be represented in the competitive contract market in order to ensure private sector investment in new generation.

This marketplace interaction can be managed in a number of different ways; for instance, by the customer directly through their retailer, or on the customer's behalf through their LDC. Insufficient activity occurs in the wholesale and forward contracting markets. The ability of the private sector to assume risk in the construction and operation of new generating facilities using the forward market will be significantly limited, the result being that all new generation in the province will require taxpayers and ratepayers to assume the risk of investment. We understand that this result would be inconsistent with this government's objective of transferring risk to private sector investors.

The concept is really quite simple. By analogy, a bank will not provide a mortgage to a person if that person does not have a reliable revenue source such as a job and strong prospects for maintaining that revenue stream. Similarly, a bank will not finance generators to build new plants unless we have a secure revenue source such as long-term contracts. These contracts can either be with the government or with other creditworthy counterparts in the market; for instance, retailers. The simple point is that we need to be able to demonstrate that reliable revenue source. Therefore, the government should seek to ensure that the hybrid model allows for the emergence of many buyers of long-term power contracts, which would in turn enable the government to gradually move out of this role.

Finally, EMIG recommends that the regulations need to limit eligibility for the stable, regulated rate plan to residential consumers. This will ensure that the remaining consumers are incented to enter into competitive contracts. In addition to helping to stimulate a forward contract market, this approach would also have the benefit of saving the government time and money with respect to the ongoing administration of the regulated rate plan and its associated variance accounts.

In order to have many active buyers in the market, there needs to be one clear energy price accessible to both buyers and sellers. The regulations should state that any regulated asset prices or price adjustments should be identified separately from other energy charges for all consumers. Without separate identification of energy charges and regulated market adjustments, comparability between the regulated rate and the unregulated supply options will be difficult if not impossible. This will result in consumers being confused, and they will not be able to make informed decisions about the value of entering into competitive contracts. Furthermore, blending the regulated asset rate with the true cost of electricity will also serve to undermine the government's plan of implementing smart meters with the goal of creating a conservation culture. If the price is blended on the bill, consumers will not see meaningful price signals, which are required to incent conservation.

The role of OPA: The EMIG membership appreciates that the recommendations as discussed this far will not immediately result in a market developed sufficiently such that it will enable the achievement of this government's laudable targets with respect to the dramatic increase in the production of renewable energy and the phase-out of coal-fired generation within the desired timelines and on a market basis. We therefore recognize the important role that the OPA will play through this transition and well into the future.

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In order to allow the maximum opportunity for a self-sustaining electricity market to emerge from this hybrid, it is important that protocols be implemented clearly defining when the OPA is authorized to procure new power. These protocols need to be carefully coordinated with the Independent Electricity System Operator-administered resource adequacy mechanisms, ensuring that the OPA acts only to the minimum extent necessary to address serious capacity shortfall risks. High-level principles outlining appropriate constraints should be included in the regulations.

In conclusion, while Bill 100 sets out a framework which enables the promotion of private sector investment through direct government contracts, it falls short with respect to what EMIG understands to be another important objective of this government, and that is the encouraging of investors to assume some of the risks associated with investments in new generation. As a step toward allaying investor anxieties with respect to the broader electricity marketplace, EMIG hopes that through either the legislation or by regulation these important market issues will be addressed.

EMIG remains committed to working with the government to ensure that Bill 100 truly supports private sector investment that meets the needs of Ontario. In the very near term, the government needs to send positive signals that support both aspects of a hybrid market—the regulated sector and the competitive sector—through legislation, policy and the OPG shareholder agreement. Without these signals, the government and taxpayers will

most likely bear the financial risk of meeting the province's electricity needs similar to the days when Ontario Hydro assumed these risks for the people of Ontario.

EMIG appreciates having had the opportunity to present to this esteemed group and welcomes any questions the members of the committee may have.

The Acting Chair: Thank you very much. You have used up all of your time in your presentation. We do require, for Hansard, if you wouldn't mind repeating your name and position again.

Ms Palter: Certainly. My name is Leigh-Anne Palter. My position is vice-president, regulatory affairs, with EPCOR Utilities Inc.

GREENPEACE

The Acting Chair: The next presenter is Dave Martin from Greenpeace. Welcome, Dave.

Mr David Martin: Good morning, Mr Chair and members of the committee. My name is David Martin and I'm energy coordinator for Greenpeace Canada. I don't propose to go through our submissions. You should have two things before you, and I've put copies on the side table. It's in two parts, entitled Greening Ontario's Electricity Sector: Comments on Bill 100, the Electricity Restructuring Act. The first one is a prose presentation and the second is a clause-by-clause analysis of the legislation.

I would like to give you what I think is the big picture here. The government has proposed to move away from a fully competitive electricity sector and create a more planned and regulated structure through the Ontario Power Authority, the Ontario Energy Board and the Conservation Bureau. But whether our electricity is public or private, and no matter how the system is structured, Greenpeace is primarily concerned with how the system is delivered, with the technologies that are used to generate or conserve electricity.

Where does the rubber hit the road? That's where it happens. We need to change the generating technologies that have harmed the environment, harmed human health and hit the pocketbooks of ratepayers in this province in a very big way.

The cornerstone of a sustainable electricity sector in Ontario will be the phase-out of both coal and nuclear generation. On August 9, Energy Minister Dwight Duncan characterized the current restructuring effort as a compromise between the old public power system and a fully competitive model—a very Liberal compromise, I would suggest, and that's fair enough. As I said, Greenpeace is less concerned with the travel plans and more concerned about reaching the destination.

While the government is trying to achieve a balance between the public and private delivery systems, we have a generating system that is extremely unbalanced. It's imbalanced through an extreme dependence on both coal and nuclear generation. Bill 100, I would note, mentions a coal phase-out, but it doesn't tie it explicitly to the 2007

date the government made a commitment to during the election campaign.

It should also include an explicit phase-out of nuclear power. We're suggesting it be tied to a maximum commercial operation period of 25 years. That would take us to the last reactor shutdown for Darlington in the year 2018. We're not suggesting those reactors should be shut down tomorrow; our plan would allow for a very orderly transition and implementation of a green energy sustainable system.

The Ontario government is moving, I would suggest, in the wrong direction very quickly. It's paying lip service to conservation and renewables, while moving on mega-projects that simply repeat the mistakes of the past.

Let's look at what's happening at Pickering: Last month, the energy minister, Dwight Duncan, approved the restart of a second reactor at the old Pickering A station. It was a disastrous decision. Dwight Duncan said on Monday that we have our heritage assets here. He referred to those heritage assets as our hydraulic and our nuclear plants. Let me tell you, nuclear power is not a heritage asset; it's a heritage liability, and a very big one.

The cost of Pickering nuclear rehabilitation is staggering. Back in July, the minister said the cost of restarting unit 1 would be \$900 million, four times the 1999 estimate of \$213 million and roughly double what the Honourable John Manley told us would be the price just last March. He said it would cost \$450 million to \$500 million. The cost of restarting the first reactor to come up, unit 4, which started in September 2003, escalated to \$1.25 billion, almost three times the 1999 estimate of \$457 million.

What does that all mean? Let's put it in perspective: Two thousand megawatts at the old Pickering A station and an overall cost, we're told, according to Mr Manley, of \$4 billion—a likely cost. Well, we know the record. We can see what cost escalation happens with nuclear projects, so it's quite probable it will be more. But for the same price, \$4 billion, 4,000 megawatts of wind turbines could be built. What do we get? Two thousand megawatts of old, dangerous, unreliable reactors, and who knows how long they'll last.

The vast expenditure on Pickering and other nuclear plants is bad from a performance and environmental viewpoint and, I would suggest, it's also skewing and subverting the market, as we've just heard from the last presenter. So if the government really wants a balance between public and private, it's certainly going about it in the wrong way by proceeding with the reconstruction of the Pickering reactors.

Just today, the minister was quoted in the *Toronto Star* supporting a new mega-project in the form of the Conawapa Dam on the Nelson River in northern Manitoba. That would provide about 1,000 megawatts of capacity, but only at the expense of thousands of kilometres of transmission line from the Manitoba border to get to the southern Ontario market, not to mention the environmental costs of the dam itself, not to mention the transmission line to get it from northern Manitoba to southern Manitoba.

The question, I think, is whether or not we need some new approach. What are we hearing on the new front? Both Premier McGuinty and the Energy Minister have suggested repeatedly that they would not rule out the construction of new nuclear plants. Given the astronomical costs and abysmally poor performance of nuclear power in this province, I would suggest this is an extremely irresponsible proposal and one that should be put to rest sooner rather than later.

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I know that there have been discussions as well of public-private co-operation on nuclear development, and I understand that the government is negotiating behind closed doors with Bruce Power. But I would suggest that this is a sucker deal. If the government has to guarantee a market for that private producer, and if it has to take over financial responsibility for radioactive waste and decommissioning—the long-term liabilities—what it amounts to is public subsidy for private profit. We've already seen one of those deals. The previous government signed it with Bruce Power. We don't need another.

So where do we want to go on the positive side of things? Well, we need green energy. The government has committed to 5% of new supply from renewables by 2007 and 10% by 2010 on the demand side, and 5% demand reduction by 2007 and 10% by 2010. I would suggest this is going to be too little and too late. We really need to ramp up the good stuff.

You've heard from a number of people in the nuclear industry on the first day of hearings that nuclear power is clean. That's simply not true. Nuclear power plants release radioactive pollutants to air and water routinely and accidentally. There are 40,000 tonnes of high-level radioactive waste piled up at reactor sites in this country, with no solution in sight to the long-term management.

What about the demand side? What about conservation? Conservation has to be the priority. There was a lot discussion on Monday about rates. I think the discussion about rates really missed the point. I'll give credit to Minister Duncan. He had the courage to admit that a mistake was made in committing to keep the cap on rates. We have to pay the real cost of electricity, and kudos to the government for admitting that.

But I think he missed an important point in responding to Howard Hampton, and that is if we do pursue conservation aggressively, that means that although rates are going to go up inevitably, the bills that people pay for their electricity can come down because they'll be using less electricity. But we have to deliver on the green energy agenda, and we have to do it big time. Otherwise, the commitment to coal phase-out is going to be endangered.

I would suggest that the bottom line here for us is that if Ontario truly wishes to embrace a sustainable electricity future, it must be pursuing those green energy alternatives and it must phase out nuclear power as well as coal. If we want to avoid repeating the mistakes of the past, we're going to have to make some changes in Bill 100, and we're going to have make some changes in the

way we really run and operate our electricity system in this province.

The Acting Chair: Thank you very much. We do have some time for some questions, and I'll be starting with Mr Arnott.

Mr Ted Arnott (Waterloo-Wellington): Thank you very much, Mr Chair. Thank you, sir, for your presentation this morning. I found much of your presentation to be very interesting. I recall that Greenpeace certainly has played a consistent role over the years in terms of this issue.

You've spoken against the concept of coal-fired generation of electricity, as well as the nuclear generation of electricity. If you had a choice, which would you phase out first?

Mr Martin: We're often faced with this question of which poison you would prefer to swallow: the coal poison or the nuclear poison. The reality is that we can do without both of them. I would refer you to the study that was done by the Pembina Institute and the Canadian Environmental Law Association. I refer to it in my brief. You'll hear from one of the primary authors later on today, Mark Winfield, but I was a co-author of that study as well.

We can do without coal and we can do without CANDU reactors. The basis of it has to be efficiency and conservation, followed by renewable energy and, if necessary and as a last resort, yes, we will need possibly some high-efficiency natural gas plants. By "high-efficiency" I mean not just combined-cycle gas turbines but combined-cycle gas turbines in combined heat and power—that is, cogeneration—applications.

Mr Arnott: If Ontarians seriously embrace the concept of conservation that you espouse and that I think we all agree is desirable, how much electricity do you think we could save? What would be a reasonable goal in your mind in terms of reduced energy consumption?

Mr Martin: As part of the study that we did, *Power for the Future*, we did very complex simulations, out to 2020, and put in all the supply-side variables and looked at a business-as-usual scenario in terms of demand. So it was rather conservative in the analysis. We projected that demand could be reduced 40% by 2020 as against a business-as-usual scenario. That's a massive impact. There's no question that, if we're going to do this, if we're going to turn it around in this province, that's how it has to be done.

The great thing about it is that it's a cheaper alternative by far for ratepayers. The Electricity Conservation and Supply Task Force that the previous government put together and that reported earlier this year suggested that under their scenario, with a nuclear-based supply, the cost would be about \$39 billion. Under our scenario, primarily based on conservation, including a nuclear and coal phase-out, it would be \$23 billion; in other words, a \$16-billion savings. Those are savings that go back into the pockets of consumers, because most of the investment has been in conservation and efficiency.

The Acting Chair: Thank you for appearing before the committee.

ONTARIO MINING ASSOCIATION

The Acting Chair: Our final presenter before we break for lunch is Peter McBride from the Ontario Mining Association.

Mr Peter McBride: I'll certainly allow time for questions. I have handed in a written submission on behalf of the association. That will be on the record, but I'll try to be brief. We don't want to stand in the way of lunch.

Thank you for the opportunity to be here. I think this is a crucial piece of legislation for the future of this province.

The one thing I would like to stick with talking about today is price. For miners, price matters a lot. The fear we see is that many government actions right now are putting an upward pressure on price. There's a fallout from that that can harm mining specifically. It can obviously hurt the provincial economy. It can dim prospects for northern development. I'm glad to see Mr Hampton has come, so we have some representation from northern Ontario. It also can harm economic prospects for First Nations.

The economic realities of mining in Ontario: It's an annual electricity bill, collectively, of about \$250 million. Electricity represents between 10% and 15% of operating costs, which, next to labour, is the biggest single component. The range of electricity, being a component of operating costs, for industrial minerals operations could be as low as 5% or 6%, but for some zinc producers it's as high as 35%. So any price increase, when you multiply it through, is significant.

Unlike manufacturing or retail business in this province, mining faces international competition. The prices for mineral commodities are set globally. There's no way for any producer in Ontario to set the price of whatever they're producing, whether it's silver, gold, salt, nickel. Companies are price takers, and they cannot pass cost increases on to consumers.

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Sometimes we forget—people see Muskoka and a lot of rock north of Toronto, but "ore" is defined as metalliferous rock that can be mined at a profit. Any increase in operating costs of getting that metal out of that ore can turn that ore into rock very quickly. Any increase in a major component of input costs like electricity certainly affects investment decisions for exploration and new development. Sometimes you'll see an auto plant, when business is slow, cut back on production and maybe lay off a percentage of their workforce. In the resource sector, when you're dealing with commodities, it's not that simple. You go over the edge. If, all of a sudden, the price to produce a pound of nickel costs more than you can sell it for on the world market—remember, you can't set that price—you're shut down. Metallurgical plants in this province, because of high electricity prices, have shut down in the past. It's a reality. So we urge you, I'd say, to proceed cautiously and consider what impacts that any changes that affect price will have.

Mining, just for the record, does take place in all parts of the province. There are at least 50 communities

dependent on it. You're looking at 20,000 direct jobs and about 70,000 indirect.

The industry, depending on price of commodities, is roughly a \$5-billion-a-year industry, which is a huge contributor to our exports. The supply and services sector for mining is more than a \$5-billion-a-year industry because of exports and international policies.

The fear too is that rising electricity prices will affect mining, which I think can impair other government policies. I don't think we need to be reminded that there are social and economic costs to unemployment. We deal with a part of the province that—I don't like to use the word—has a more fragile economy, but it certainly has a less diversified economy than southern Ontario. I think the term "sustainable development" has to include jobs for the next generation of people coming up.

Mining is one of the main engines of economic growth in northern Ontario. If mining is harmed, I think that can limit or restrict possibilities for future development in northern Ontario. As we sit here in the south—I can't pretend to speak for everyone, but not everybody in this province lives in First World conditions. First Nations in this province are gaining both employment and entrepreneurial opportunities through their involvement with mining companies, and I think we would like that to continue.

Just before concluding—I see Mrs Cansfield here. We have appeared before the conservation action team.

I think mining companies, because of the harshness of their economic realities, are part of the solution. They've had a lot of experience in generating electricity; in conservation—again, not conservation because it sounds nice or necessarily because it's the right thing to do, not because of altruism, but because of economics. It's there. There's a lot of experience with load shifting, which helps out. Certainly mining companies are involved in demand response, which is helping the whole system, and in infrastructure development.

As I say, that's just one topic I wanted to hit on in my time today. There is a written submission, and I'd certainly be pleased, Mr Chair, to answer any questions, if there are some, from the committee members.

The Acting Chair: Thank you, Mr McBride. We do have time for questions, and I'll start with Mr Hampton.

Mr Hampton: Thank you very much for your presentation. I've had an opportunity to look at some of your written comments as well.

Let me ask you this: What in particular about pricing here worries you? Are there two or three things that you're really concerned about that you think could result in price increases that are simply unaffordable for the mining industry?

Mr McBride: Yes, I think we can partly agree that prices are probably going to go up. There are enough factors in the world that are going to contribute to that. But specific government actions—whether they're involved in the market power mitigation agreement, the mismanagement of Ontario Power Generation Inc, which we all pay for, and I'll say the mismanagement of Hydro

One, which we all pay for, and we have been for a long time.

Whatever the merits are of the coal phase-out for health or economics, I think a province like Ontario eliminating, by policy, one potential source of power is not the way to go. I think there are other ways to handle that by regulation. I know Mr Duncan likes to talk about the physical geography of Ontario, and yes, we can't match Quebec, Manitoba or British Columbia for hydraulic power, which I think makes it all the more important that we don't rule out any potential source. There are coal technologies. I know there are other problems, and people will come here and talk about gas and other factors, but I just don't think that, as a matter of policy, eliminating one potential source is the way to go.

Mr Hampton: You refer specifically to the Ontario Power Authority. Can you just tell me what your concerns are there with the proposed power authority?

Mr McBride: Again, we're stacking costs on. I think it's creating a new bureaucracy that doesn't seem to have a sunset clause. It's something we're all going to pay for in our kilowatt hour charge for electricity. We've had enough bureaucracy in the electricity market here. I don't think we need another institution.

Mrs Cansfield: Peter, thank you very much. A couple of things. One, it would be really helpful if, for example, you identified the concern around the coal phase-out, that it could be handled by regulation. If you could give us an example in writing—you don't have to do it now, Peter—that would be really helpful for us to look at.

The other is the issue of the provision of the sunset clause and the Ontario Power Authority. There are 10 provisions within the bill of what is enabling for the OPA, what it's supposed to do. If you could look at those 10 provisions from your perspective and say to us, "This is good, this is bad, this needs sunset, this needs grandfathering, this could be handled differently," those are the kinds of things that would be particularly helpful.

Then the last question, and I had it, was about the pricing. I do not purport to have a total understanding of this. Anybody knows how complex the sector is. You won't be in the regulated; you would be in the spot or the day-ahead. Do you prefer the day-ahead or the spot? If the prices have gone down, I think it's about 19% in the last while, then which is a preferable way of doing business for you?

Mr McBride: I'll back up a little bit on that. I think the philosophy of any kind of business is that when you've got a large input cost, you want the opportunity to manage it, unlike the Ontario Hydro days of sort of, "Take it or leave it; just pay your bill." In a business sense, you want the opportunity to manage that, so, Mrs Cansfield, I think different companies may handle that differently.

I think a lot of the major mineral producers in Ontario, though, would opt for a system—since many of them have shifted a large part of their load to non-peak hours for heavy activity like grinding, hoisting and things like that, it would be a mix. It would be trying to cover a

component of your load by a long-term contract but having the flexibility where you would go for the spot market.

Mrs Cansfield: Then also the whole issue around removing the barriers to cogeneration would be of significant impact to your industry.

Mr McBride: Yes, it would. But again, as long as—and I will take you up on your offer, I think, for the coal situation, of how you could sort of regulate emissions to do that. That can be done as in other jurisdictions, and we'll certainly look at the OPA, the 10 things, and get back to you. We'll be pleased to take advantage of that opportunity.

The Acting Chair: Thank you very much. It's 12 o'clock.

Mr O'Toole: Do I not get a question?

The Acting Chair: Do you want a question?

Mr O'Toole: Yes. Thank you for your presentation. AMPCO's presentation this morning pretty well summed up, representing the major industries that are highly dependent on electricity, indicating a 30% to 53% increase in price, whether it's day-ahead, spot market, whatever. It all shows up somewhere in your contract.

I did hear a lot of presentations this morning that dealt with distributed generation in remote, hard-to-service areas. Have you any feeling on cogeneration or distributed generation systems? What is your industry doing to look into and see the business case that could be made

for allowing that to happen in hard-to-service areas, because of line loss and other things? Do you have any comment on that?

Mr McBride: Yes, the industry is doing a lot in that area. Historically, mining has been going on in Ontario long before Ontario Hydro came into existence. For instance, Inco in Sudbury has five hydraulic plants. It generates 20% to 25% of its own power and feeds into the local distribution company. If you look at a road map of Ontario, the roads end at mines, basically. Red Lake's a good example, going north from Thunder Bay. Those companies had to bring infrastructure with them to get going. Unfortunately, when you're starting up and doing exploration, a lot of it's diesel-powered and whatnot. But for mining companies, particularly for combined-cycle, it's gas, going ahead. But for run-of-river, small hydraulic operations are big time.

Local distribution, or making the power close to where it's needed, is significant, but I think that's a bigger problem in southern Ontario. Other than the nuclear plants, most of the—depending on your definition, if you count hydraulic as renewable, you're getting a lot more power in northern Ontario coming south than vice versa.

The Acting Chair: Thank you very much. The committee stands adjourned until 1 o'clock.

The committee recessed from 1200 to 1305.

Report continues in volume B.

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**Standing committee on
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Electricity Restructuring
Act, 2004

**Comité permanent de
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ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
SOCIAL POLICYCOMITÉ PERMANENT DE
LA POLITIQUE SOCIALE

Thursday 12 August 2004

Jeudi 12 août 2004

*Report continued from volume A.
The committee recessed from 1200 to 1305.*

ELECTRICITY
RESTRUCTURING ACT, 2004LOI DE 2004 SUR LA RESTRUCTURATION
DU SECTEUR DE L'ÉLECTRICITÉ

Continuation of consideration of Bill 100, An Act to amend the Electricity Act, 1998 and the Ontario Energy Board Act, 1998 and to make consequential amendments to other Acts / Projet de loi 100, Loi modifiant la Loi de 1998 sur l'électricité, la Loi de 1998 sur la Commission de l'énergie de l'Ontario et apportant des modifications corrélatives à d'autres lois.

CANADIAN ENERGY
EFFICIENCY ALLIANCE

The Acting Chair: Good afternoon, everyone. We're going to reconvene the hearings on Bill 100. Our first presentation is by the Canadian Energy Efficiency Alliance, Fiona Oliver.

Ms Fiona Oliver: All right, great. We're here from the Canadian Energy Efficiency Alliance, which many of you have heard from before, but I'll do a quick background, take you through some of the initiatives we're currently working on and some of our future initiatives and then give some thoughts around Bill 100; in specific, items on DSM.

The Canadian Energy Efficiency Alliance is a non-profit organization established in 1995 to promote the benefits of energy efficiency to the economy and to the environment. Our members are leading utilities, manufacturers, energy consultants, associations and consumer and environmental groups across Canada, with a heavy proportion of those being in Ontario.

One of the first things the alliance did was a report to the Macdonald committee. I have provided that in the folder I've given to some of you. I believe one copy is in the hands of each caucus currently. The document was well-received by the committee, particularly because it incorporated the views from stakeholders who traditionally would have very different views around energy but managed to come together and agree on the importance of energy efficiency.

The alliance's number one priority since its inception has been regulated demand-side management for electric LDCs. Last year, we ran a series of three workshops to develop a vision statement for energy efficiency in Ontario. The outcome of that vision workshop series is also found in the folder; it was an article published in *Corporate Knights*, talking about a vision for a clean, green future.

One concept that was also mentioned in those workshops was the need for a central agency to promote and coordinate province-wide messaging. There was a lot of emphasis on the fact that LDCs need to drive the programs, as they're closest to their consumers.

One of the most important initiatives of the alliance is an annual report card on various provinces that reflects how the provinces are doing on their various policies around energy efficiency.

On the last report card, Ontario received a C. Ontario had done very well in codes and standards, as well as with gas utilities on DSM. However, there was a perceived need for improvement on electric LDCs and how they were regulated and dealt with, with respect to DSM. We're going to have the next report card coming up soon, so hopefully the mark will start going up.

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We have also done our first ever report on best practices across Canada on DSM, and that will be coming out very shortly. We just did an energy conservation workshop targeted at electric LDCs on July 22, trying to bring them together to start understanding, talking about and planning for energy efficiency programs. We do work in communications and media, obviously work with government as much as we can and try to be an adviser where we might, and we also completed a report on life-cycle costing of energy efficiency.

Future activities: We hope to continue running workshops around DSM for the electric LDCs. We are hoping to organize a lighting exhibition at Queen's Park for the MPPs, aides and government, like the smart meter exhibition put on by Marion Fraser recently. We also would like to develop a generic DSM plan for Ontario LDCs that makes it easy for them to get up and running quickly, and we'd like to be at the table for developing a communication plan to consumers.

One last item that I'd like to give you background on: The alliance, in co-operation with the Ontario Home Builders' Association, formed the EnerQuality Corp,

which runs R-2000 in Ontario and also runs EnerGuide for new houses.

With that, I'd like to introduce Judy Simon, who is here with me from IndEco consulting. She was our alliance representative on the OEB stakeholder advisory committee on DSM and will be sharing the thoughts of the alliance with you now.

Ms Judy Simon: Thank you very much, Fiona. I'm pleased to be here.

The alliance is supportive of Bill 100 and views it as an excellent step toward building a conservation culture in Ontario. We support the provincial government's move to time-of-use rates and to smart meters.

As part of the alliance participation in the OEB DSM consultation process that Fiona has just referred to, the alliance submitted a policy paper, Demand Side Management Framework for Ontario. In that policy paper, the alliance identified a number of components that should comprise any DSM governance model. We recommend that, to the extent possible, these components be reflected in Bill 100. These components are:

—Energy prices reflect true costs. We are pleased to see this is in Bill 100.

—There is no undue burden placed on disadvantaged groups as a result of energy prices. We note that the Minister of Energy has recommended that electric LDCs provide DSM programs for low-income and other hard-to-reach consumers. This recommendation should be codified in the bill.

—Energy efficiency standards continually improve over time. The conservation bureau could be mandated to facilitate these improvements to the energy efficiency standards.

—Incentives are available to encourage the development and introduction of new, more efficient technologies. These could be provided by the conservation bureau.

—There are training or other programs to ensure energy professionals and tradespeople are skilled at using the latest technologies and techniques. This is also a potential role for the conservation bureau.

—There are coordinated and consistent public education programs on energy conservation and energy efficiency across Ontario, also a potential role for the conservation bureau.

—Natural gas and electric utilities and provincial ministries and agencies are required to implement cost-effective energy efficiency and energy conservation programs in their own operations and report on their progress. The utilities component should be part of the DSM mandate for the Ontario Energy Board.

—There is a reliable long-term source of funding for aggressive DSM.

—There are DSM programs that target each of the market segments.

—There is emphasis on local delivery of DSM programs.

—There are incentives for delivery agents to carry out successful aggressive DSM programs.

—There are clear rules for DSM.

—There is independent, third-party verification of DSM energy savings.

The alliance policy paper proposed a hybrid DSM governance model with a central coordination function for integrated resource planning at the provincial level. We are pleased that this central function for integrated system power planning has been adopted in Bill 100.

As we indicated in our paper, integrated resource planning is also important to be carried out at the more local levels, at the project level. Bill 100 should be modified to reflect this need for more local integrated system power planning and to clarify the role of the Ontario Power Authority and the LDCs in carrying out this type of planning.

As part of the hybrid governance model, we recommended local responsibility for DSM by the electric LDCs. It's not clear that Bill 100 gives the responsibility for DSM at the local level to the LDCs. The LDCs understand their customers and their markets and therefore are in the best position to develop programs to meet their customers' needs. We recognize that not all LDCs are created equal and that some, as part of fulfilling their responsibility for DSM, may choose to outsource program design and delivery to others, such as other LDCs, the natural gas utilities or other DSM service providers. We stress the importance of local responsibility for DSM and recommend that this be clearly delineated in Bill 100.

The mandate of the OPA regarding the options to be considered for integrated power system planning should be clarified in Bill 100. The framework for integrated power system planning must ensure that DSM, fuel-switching options and distributed-generation options are fully and rigorously evaluated to properly compare these with conventional supply and transmission options at both the provincial level and project level.

For example, in Toronto or the Brantford area there may be a particular constraint in the power system. Bill 100 must ensure that for each constraint there is a thorough investigation of DSM, distributed-generation and fuel-switching options, in addition to the more conventional transmission and large supply options, before the preferred option or options are chosen.

Bill 100 should ensure that suppliers of DSM, fuel-switching and distributed-generation options, including the natural gas and electric utilities, have the opportunity to provide input to the integrated power system planning and to offer and deliver these options.

Bill 100 should encourage fuel switching from more costly sources from an economic and environmentally sustainable perspective to cheaper, more environmentally sustainable sources. The bill should also encourage co-operation of electric LDCs with the natural gas utilities in the development and delivery of these fuel-switching programs as part of the natural gas and electric LDC DSM plans.

The Minister of Energy, in his May 31, 2004, letter to all electric LDCs, recommended that DSM for electric

LDCs be defined to include energy efficiency; behavioural and operational changes, including the application of benchmarking or smart control systems; load management measures which facilitate interruptible and dispatchable loads, dual fuel applications, thermal storage and demand response; measures to encourage fuel switching, which reduces the total system energy for a given end use; programs and initiatives targeted to low-income and other hard-to-reach consumers; and distributed energy options behind a customer's meter, such as tri-generation, cogeneration, ground-source heat pumps, solar, wind and biomass systems.

The alliance endorses this definition of DSM. It is consistent with the definition of DSM we have put forward in other policy papers to the province and the OEB. We recommend that the minister's definition of DSM be included in Bill 100.

In order to promote a conservation culture, all agencies of the government should be encouraged to promote energy efficiency and energy conservation within the agency as well as with the organizations it regulates. To that end, the alliance opposes the amendment proposed in Bill 100 to remove the OEB objective to promote energy conservation, energy efficiency, distributed generation and alternative energy sources. The OEB objective to promote these aspects of the conservation culture should remain in the Ontario Energy Board Act so that the OEB will take steps that will encourage the electric LDCs to carry out DSM within their own operations and with their customers.

The alliance would be pleased to discuss further any of our recommendations for Bill 100 with the committee.

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Ms Oliver: Just a few closing remarks: The alliance will be following the actions of the government over the next 12 months to ensure the commitments to a conservation culture are being continually and actively pursued.

We have prepared an article that went out to the media this past week. It has been picked up extensively. We were in the Toronto Star on Tuesday, on Citytv, on OMNI Television and on the CBC, and we'll be on CTV.ca on Saturday as well as in a three-part series over the next three nights on Global. It outlines what we would like to see the government do over the next year. Just to top-line those, we'd like to ensure that the majority of LDCs have active conservation programs that engage their customers; that the minimum energy efficiency levels from appliances and products be increased; that we increase the minimum energy efficiency standards of new buildings, starting with commercial construction and government buildings, as well as low-income buildings, given the longer pay-back periods; expand the commitment of a 10% reduction in electricity demand for the provincial government to include municipalities, universities, schools and hospitals; have electricity prices reflect the actual cost of generation so that prices are adjusted to different seasons and times of the day; accelerate the phase-in of interval or smart meters;

and initiate aggressive, province-wide market transformation campaigns coordinated through the new conservation bureau in association with external delivery agents.

Thank you very much. We will be doing a review of where energy efficiency is at yearly now on the anniversary of the blackout. We'd like to ask one question of you, if you don't mind. We're interested in finding out where the input from this committee goes and what the next steps are from your end. We'd welcome any questions the opposite way.

The Acting Chair: Let me first thank both you and Judy for being here. We certainly have time for questions from all three parties. The question was posed of the clerk where all this information goes.

The Clerk of the Committee: This is an opportunity for the committee members to receive input from the public and interested parties on the legislation to aid them in their deliberation when it comes to clause-by-clause review of the bill itself and help them propose amendments, to discuss and debate the issues in the bill.

Mr McMeekin: —a summary of the points made [inaudible] research team is part of that and the government will be part of that as well.

Ms Oliver: Terrific. Thank you.

The Acting Chair: Let's start with the NDP.

Ms Marilyn Churley (Toronto-Danforth): How much time do we have?

The Acting Chair: We have 10 minutes, which we'll divide up evenly.

Ms Churley: A whole 10 minutes. Thank you very much for your presentation. I'm just subbing in for Howard Hampton, who is our critic in this area, and I haven't been privy to all of the presentations. But I certainly wanted to hear more of yours about energy efficiency and conservation, because that's a big interest of mine.

Just in terms of your question, by the way, about what happens to these presentations: What will happen is that we'll be making some amendments to the final bill, and at the end of the day we'll vote on those amendments. The government has the majority on committee, and generally it ends up being in the government's hands in terms of which amendments are passed or not passed because of that. So that's what will happen. We'll certainly be looking at your presentation and at the amendments you recommended and perhaps the other parties will as well. That's what will happen, and then the bill will go back to the Legislature for the final vote and some amendments will be made. At this point we don't know what the Liberals will accept or won't accept, so lobby hard for your amendments.

I just wanted to pick up on building retrofitting. I think that's very much overlooked when it comes to efficiency. You talk about future buildings, amendments to the building code so future buildings have that included. What about a massive program for retrofitting older buildings? Is that part of our recommendation?

Ms Oliver: That would definitely be on the table as well. I think, though, that the big opportunities are seen in new construction. When you build it, build it right the first time and it will save a lot of money longer-term. I think that's where we'd really like to put our priorities.

Ms Churley: As you know, the city of Toronto has such a program. It's called Let's Build or Better Build—

Ms Oliver: Better Buildings Partnership.

Ms Churley: Is that still in existence?

Ms Oliver: Yes.

Ms Churley: I have a lot of constituents who are in public housing, for instance, who have huge, high electricity costs and very drafty buildings. To me, it makes sense to also do that kind of retrofitting as well as for new buildings.

Do you look at things like the impact of roof gardens and solar panelling and all those kinds of things as part of efficiency? When you talk about amending the building code for new buildings, what do you see included in that?

Ms Oliver: I think those components definitely do make a more efficient building. The alliance does not specifically focus on those. We rely on the expertise of various other non-profit groups who are specializing in those particular topics. We tend to work more closely with builders and contractors, training them on energy efficiency practices and moving the bar up on that front. So that's where we do most of our work. Some of those other items, like green roofing and those sorts of initiatives: We know there are people such as Steven Peck, with an organization that specifically does green roofs. He will work on that front and we'll get the information from him on how much energy that can save. But typically we'll focus on the more traditional aspects such as insulation, windows and construction materials.

The Acting Chair: The government, do you have any questions?

Mrs Cansfield: I have a couple of questions. First of all, I commend you for the work you do. The list of your board is both for-profit and not-for-profit, and I think people don't realize it's a very broad range of folks you bring to the table.

You primarily focus on bringing in the local distribution companies and others around how they can manage their demand-side management. I guess one of the questions I would have for you is, in looking at the bill—and I know you've identified some issues around the local distribution companies and wanting to enshrine that more in the bill than in regulation—are there practices and policies and procedures that you have seen or are aware of that are barriers you could help identify in terms of moving forward with the demand side at a residential level? Given the fact you have some expertise at the commercial level, I would be particularly interested to take that back to the government from you. If you could provide some thought to giving that to us in the next couple of weeks, that would be great. I don't know if that's possible.

Ms Oliver: So you're looking for the barriers for LDCs to do DSM at a residential level?

Mrs Cansfield: You've probably tripped over some of those barriers when you've been helping provide some of these workshops. If you've identified those barriers, it would be welcome to us to see whether or not we've identified similar barriers or if we've missed any. That would certainly help in removing those barriers to enable DSM to move forward. Sometimes those barriers can be applicable both at the commercial and the residential. That would be helpful as well; there's no question.

For example, you have the green building thing you do, which is commercial. Can it be applied to a residential component, let's say, for housing? So that's what I'm asking. If you would consider giving that to us, that would be great.

Ms Oliver: Yes, we can definitely get back to you on that with some thoughts and a list of potential barriers that we're hearing, not only from the workshop that was recently held, but also other input from our stakeholders.

Mr O'Toole: Thank you very much for your presentation. I want to make sure I put on the record right away that I kind of agree that the interface with the consumer, the LDC, is absolutely critical if they're going to implement any kind of demand-response system of whatever variety.

I find a bit of a conflict with a regulated price at a certain level and then a certain part of the market that's unregulated, technically: the large consumers who are buying and hedging.

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I'm not sure I understand where the direction is if you're looking at metering technology, whether it's smart meters or interval meters or other demand-response-type meters that some of the utilities use today. Could you comment on the way the price thresholds work today—4.7 and 5.3—based on consumption? The consumer has no tools. Even the technology required to have smart technology in the house is almost prohibitive in most of Ontario. It's two-way. It would have to be sort of a floating price, where I could respond to price. I could set some sort of computer system to shut certain things off and on. It's actually a miscommunication, I suppose, in terms of that whole smart technology. They're going to invest a fortune, and the LDCs are going to have to spend a fortune to change their billing systems and the whole infrastructure to respond to when I consume the electrons, if I'm responding to price.

I'm sure there's a lot of work that can be done, but the vast majority of the consumption—and demand-response mechanisms, I believe, should be with the large consumers first. Start with the low fruit and eventually you'll refine the technology down to where you can get the apartment to switch certain things on and off at some time in the future. Could you just respond? There's some bad information on this whole smart metering. They're going to spend a fortune on it, and what are they going to get?

Ms Simon: As I mentioned, one of the things we support and I understand the government intends to move on is time-of-use rates. Customers who are at 50 kilowatt

hours and beyond in some jurisdictions, and 100 in other parts of Ontario, already have interval meters. So the new government program for interval meters is really focusing on the small consumers and the MUSH sector.

With time-of-use rates, the kind of price signals you're talking about will be available to some extent, depending on what the time-of-use rates end up looking like. If it's just a day price, an off-peak price and a peak price, that's still a better price signal than what we have now. I guess we'll see what the LDCs are proposing that way for the March 2005 rates cases. There are a whole number of options for time-of-use rates that could give anywhere from instantaneous pricing, like what the larger companies are dealing with, to the old historical time-of-use rates that are peak and off-peak prices, and there's a continuum between them. So the price signal for the residential consumer will certainly improve. At least the residential consumer will have options, as I understand it, for getting a better price signal and therefore will be able to make use of the data and the smart two-way interval meters.

Ms Oliver: Could I just add a quick comment as well, if that's all right? I think what's important to note—and I hear what you're saying. These are important tools to start getting people to understand what their behaviour is. I think the next step will be changing that behaviour, linking the rates to what people are seeing and trying to put in programs that link up with that. That will be the key piece to prove whether this has been a good use of money. I think that will be key.

The Acting Chair: Well said. On that note, thank you very much for being here. I appreciate your comments on behalf of the committee.

Our next presenter is from the Ontario Clean Air Alliance, Jack Gibbons. Jack, are you here?

Mr O'Toole: It's another one.

The Acting Chair: Oh, excuse me. You have to sit down, Jack.

ENBRIDGE GAS DISTRIBUTION INC

The Acting Chair: Let me just correct that. It's Enbridge Gas Distribution Inc, Jim Schultz. Don't cut off my gas for that. Sorry, Jim.

Mr Jim Schultz: No problem.

The Acting Chair: You have 15 minutes that's yours to use. If there's any time left, we'll allow for questions.

Mr Schultz: Thank you. I think that should be appropriate. Good afternoon, everyone. As indicated, my name is Jim Schultz, and I am president of Enbridge Gas Distribution. With me today is John Bayko, our director of sustainable growth, and Debbie Boukydis, our manager of public and government affairs for eastern Canada.

Enbridge Gas Distribution appreciates the opportunity to offer its perspective on Bill 100. We realize that these hearings occur during challenging times for Ontario's energy industry. Some of you may ask why Enbridge, Ontario's largest natural gas utility, would want to

present on a bill primarily on the electricity sector. Quite simply, all the players in the energy field have a role to play in meeting Ontario's future energy demands.

In addition, the issues raised in Bill 100 go far beyond the electricity sector. It talks about attracting private investment and restructuring the way the energy sector is regulated. We have an interest in both of these areas, not only because of our current operations but because of our interest in pursuing additional investments in this province. These are important changes, and as a regulated utility with over 155 years of experience, we feel we can offer an important perspective that will help you with your deliberations.

Enbridge Gas Distribution had its beginnings supplying gaslight to the streets of Toronto in 1848. The company has since become one of the fastest-growing, lowest-cost natural gas companies in North America. We currently distribute gas to about 1.7 million residential, commercial and industrial customers in Ontario.

Enbridge Gas Distribution supports the stated policy objectives behind this legislation: ensuring sufficient supply and meeting increasing demand. We are all aware of the recent realities that validate these objectives: the blackout that occurred almost one year ago to the day, the findings and recommendations of various advisory panels, oil prices topping \$45 per barrel, political uncertainty in the Middle East and the restructuring of Ontario's electricity sector.

In terms of Bill 100, let me start with three comments. First, Enbridge Gas Distribution welcomes Bill 100 as a positive step toward a more coordinated and efficient energy market. We hope that the final text of the bill and the regulations that follow will provide a fair and balanced approach to the solutions that will meet Ontario's energy challenges. Second, the challenges facing the energy sector are so profound that it is essential that we get this right the first time. I hope the committee will consider and incorporate the suggestions offered here today, as well as the input offered by other presenters. Finally, it's important that the industry participants have a role in shaping the regulations and other details that will transform Bill 100's stated goals into reality.

The only way to meet Ontario's energy crisis is to ensure that we have a framework that will attract new investment and not drive it away. Toward these ends, we believe that the legislation represents a positive beginning in addressing the province's energy needs. We agreed with and tried to mirror our own activities on a number of the bill's proposed or stated purposes: supply, conservation, price stability, public leadership and private investment.

Earlier this month, we were pleased to hear Minister Duncan's speech to the Calgary Chamber of Commerce. His message was quite simple: Ontario's energy problems will only get solved by less political and more private sector investment. Most importantly, he promised the McGuinty government would provide clear rules for investment, and I want to tell you that that message was very well received.

As with any legislation, the key is to translate laudable goals into practical and effective reality. I'd like to offer our views on several matters that may be of assistance to you in this regard. These comments fall under three headings: (1) strong governance for the new Ontario Power Authority; (2) clarity in regulatory rules so they work for consumers and industry and don't hold up important investments; and (3) a commitment to solutions like integrated resource planning and demand-side management.

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The first area on which we wish to comment is governance of the proposed Ontario Power Authority, or the OPA. Enbridge strongly supports the mandate of the OPA, as strategic long-term planning is the crucial first step to start getting our house in order when it comes to energy. The bill stipulates that all directors of the new corporation are to be independent, with no direct involvement in the generation, transmission or distribution of power. However, we feel that this industry is far too complex to restrict the board to independent directors with no first-hand knowledge or experience. Thus we strongly suggest that the bill be amended so the board can include a minority of industry-related directors.

This is in keeping with the wider corporate governance practices across North America in which boards are either required to nominate or voluntarily nominate candidates who are well versed in certain skills that will help their boards and board committees in discharging their responsibilities. We submit that the adoption of such a practice on the OPA board will improve its governance while maintaining its independence, and that will mean better overall management and stronger fiscal stewardship when it comes to taxpayers' dollars.

A second area of interest to Enbridge Gas Distribution is regulatory efficiency. Under Bill 100, industry stakeholders will be dealing with the OPA, a conservation officer, the Ontario Energy Board and the revised Independent Electricity System Operator, among others. Some of these bodies will be new, others will see their authority increased or amended and all will be a part of the new proposed regulatory framework. Enbridge Gas Distribution supports the introduction and restructuring of these regulatory bodies, but we do have concerns about the potential for uncertainty caused by possible overlapping of mandates and duplicate processes. For example, it's not certain which regulator would have the ultimate authority to select the most energy-efficient option or how we would be able to make sure that alternative options like distributed energy, fuel switching and demand-side management were considered.

We urge the committee to ensure that the regulatory bodies proposed under Bill 100 be given clear mandates, that they do not overlap and that they impose minimal red tape on industry participants in the search for innovative and timely energy solutions. We also recommend that energy stakeholders beyond just the electricity sector be consulted and provided a role in drafting the regulations stemming from this legislation. The energy in-

dustry is not a monolith. There are profound differences between different sectors of that industry. These differences should be factored into the drafting of regulations that will give effect to the stated goals of Bill 100. The fact that this committee is holding hearings on Bill 100 after only the first reading is a positive sign for future meaningful consultation.

The third area in which we offer recommendations is that of integrated resource planning, or IRP, and demand-side management. The primary focus of Bill 100 is obviously the electricity sector, but we urge the committee to ensure that legislation and the ensuing regulations take a holistic approach to planning matters and address the whole electricity supply chain as well as demand-side solutions. Integrated resource planning is about using a wide range of different supply options—fuel and technology mix, transmission and distribution assets and land uses—to meet our energy needs.

One such option is distributed energy, which places small generators closer to demand centres. It frees up transmission and distribution assets, reduces line losses and provides more reliable power through diversification. Another approach is fuel switching, in which customers are provided with incentives to switch to another energy source. This occurs naturally in some industrial and commercial sectors where energy consumers take advantage of dual fuel capabilities. But fuel switching should be considered for residential markets as well, if it will improve energy efficiency and provide benefits for all energy users. For example, the electrical load created by hot water tanks could be shifted to natural gas, which would reduce the overall demand for electricity, which often occurs during peaking periods. In our view, Bill 100 should encourage both electrical and natural gas distribution companies to co-operate on fuel-switching programs as part of their demand-side activities.

Let me touch on demand-side management, an area that Enbridge has been involved in for many years. Our DSM programs have been in place for nearly a decade. During that time, our award-winning activity has helped customers save enough gas to serve 450,000 homes for a year or take 650,000 cars off the road. We are currently looking at opportunities to share our experience with the electricity distributors in ways that are mutually beneficial to both industries.

Commentators are fond of saying that a megawatt saved is as good as a megawatt generated, and they are right. In fact, it might even be better, because not having to generate the power in the first place reduces the environmental and financial costs incurred by customers.

Because of our belief in integrated and innovative solutions to energy conservation, Enbridge is concerned that the Ontario Energy Board be encouraged to support this planning. Bill 100 proposes to repeal section 1 of the OEB act and thereby remove the current OEB objective "to promote energy conservation, energy efficiency, load management and the use of cleaner energy sources" within the electricity system. In our view, this OEB objective should be preserved in order to support the government's objectives around conservation.

We also support the creation of a new standard rate plan, adjusted and approved periodically by the OEB, which would ensure price stability while passing on the true cost of electricity. We look forward to the establishment of the load-serving entities, which would deliver that price stability and take a long-term view of the marketplace. Indeed, this is the model which had enabled stable gas pricing at the start of gas deregulation.

I also want to touch on the issue of natural gas supply, which I know came up in your hearings on Monday. Recently, there has been some debate about the future viability of natural gas as a major energy source. Let me put some important information on the table.

First, it's important to remember that we operate in a North American natural gas market. Both the gas transmission infrastructure and the supply basins across the continent are highly integrated, and therefore gas supplies and prices are closely linked. The consensus on both sides of the border is that there is enough gas supply to meet future North American demand.

In the United States, the National Petroleum Council, an oil and natural gas advisory committee to the Secretary of Energy, recently released a report indicating that there are significant long-term sources of natural gas available over the next 25 years. Additionally, in Canada, Natural Resources Canada estimates that North America has approximately an 80-year supply of natural gas still untapped, based on today's production levels.

In thinking about gas reserves, we also need to be thinking globally. While North American reserves are substantial, global reserves are even more significant. A review of global reserves indicates that there is a significant amount of gas available worldwide. This is important because liquefied natural gas, or LNG, allows us to import gas by tanker and is becoming a more cost-effective supply option. Today, LNG provides approximately 1% of North America's total gas demand. By some estimates, LNG could make up as much as 15% or even 20% of North American supply in the future.

However, to most of us who are baby boomers, 80 years of supply reserve doesn't seem all that long. But it must be remembered that these reserve projections do not factor in any significant advancements in technology. Take, for example, methane gas hydrates. Hydrates are a naturally occurring ice-like combination of natural gas and water. Huge deposits of these hydrates have been discovered off our west coast and in the north. While the technical and economic potential of these new-found resources is still unproven, a study by the Geological Survey of Canada estimates that onshore and offshore hydrates in Canada could provide this country with a 1,000-year supply of natural gas. As technology advances, it is clear that natural gas will continue to be an increasingly important part of our energy future.

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The question, therefore, is not about the existence of natural gas reserves but really about how we can bring this supply to market and help us meet our future energy demands. To bring supply to market, industry, govern-

ment and regulators must all take ownership in the future of the energy industry. To start, the exploration and production industries require appropriate regulatory, environmental and commercial frameworks to continue development of new sources of supply in North America. Then government and regulators need to provide the appropriate conditions for investment in infrastructure, including support for the long-term contracts necessary to underpin infrastructure investment. With the appropriate investment climate, industry will develop the infrastructure needed to deliver supply to market.

Government needs to become involved in LNG information and siting, and industry needs to educate the public on the safety of LNG. These fundamental supporting government policies need to be established to ensure there is a strong and effective framework in place that provides stability and predictability. Only then will you encourage investment and development. That's what's been missing in Ontario and in many other jurisdictions for so long, and that's why this bill is such an important part of Ontario's energy future.

On behalf of my colleagues, I want to thank the committee for this opportunity. The challenges before you are very real, and I don't envy your task. But we cannot afford to get this wrong. Both government and the energy sector need to work together so we can provide the infrastructure Ontarians need to protect and enhance our quality of life as our province moves forward.

I'd be pleased to address any questions or comments you may have.

The Acting Chair: Thank you very much. We don't have any additional time to answer any questions, but on behalf of the committee, I do appreciate the three of you appearing before us.

ONTARIO CLEAN AIR ALLIANCE

The Acting Chair: Our next presenter, who I've already introduced, is Jack Gibbons from the Ontario Clean Air Alliance. Thank you very much, Jack.

Mr McMeekin: He's a man who needs no introduction.

The Acting Chair: No, he doesn't need any introduction.

Jack, you have 15 minutes. Use it all, if you'd like, or leave some time and we'll have an opportunity to ask some questions of you.

Mr Jack Gibbons: I'll try to leave lots of time for questions.

The Acting Chair: OK, watch the clock, then.

Mr Gibbons: OK. Thank you very much for the opportunity to speak to you today about Bill 100.

The Ontario Clean Air Alliance is a very strong supporter of the creation of the Ontario Power Authority and of most elements of Bill 100. We believe that the proposed Ontario Power Authority is a pragmatic option to help phase out our dirty coal-fired power plants and to keep the lights on in the province.

Premier McGuinty and Energy Minister Duncan have repeatedly stated that they want to move Ontario from a culture of waste to a culture of conservation. We support that policy goal because energy conservation is the only option that can simultaneously reduce bills, make our industries more competitive and help phase out the dirty coal-fired power plants.

In this context, Bill 100's proposal to repeal the Ontario Energy Board's mandate to promote electricity conservation is perplexing and very inappropriate. The Ontario Energy Board will be the central regulator of Ontario's new electricity marketplace. In addition to regulating the Ontario Power Authority, it will regulate the independent system operator, Hydro One and the 90 municipal electric utilities. Moreover, the Ontario Energy Board will also set the price of electricity. Therefore, the Ontario Energy Board must play a pivotal role in moving Ontario from a culture of waste to a culture of conservation.

To assume, as Bill 100 implicitly does, that a culture of conservation can be created solely by the conservation bureau of the Ontario Power Authority is naive and simplistic. To achieve a culture of conservation will require the help of the Ontario Energy Board, Hydro One and Ontario's 90 electric utilities that are regulated by the Ontario Energy Board. Therefore the Ontario Clean Air Alliance very strongly recommends that the Ontario Energy Board retain its legislative mandate to promote electricity conservation.

Thank you for your attention. If you have any questions, I'll be pleased to answer them.

The Acting Chair: I'm caught off guard here. You have lots of time for questions. We will start with Marilyn.

Ms Churley: To be fair, you started with me last time.

The Acting Chair: I was going on from where we left off, and the last person who spoke was Mr O'Toole. So then I gave you the next opportunity. But if you prefer not to, I'll certainly start on this side.

Mr McMeekin: She wants to be fair. I'll kick off. I'm fascinated with your reference to conservation and specifically what I think could be categorized as your critical reference to some of the government's proposals. I may, if I knew a little bit more about that, even share that because I'm one of many on the government side who take very seriously the rhetoric about a culture of conservation.

I'm wondering, in addition to obviously flagging for us that the OEB should continue to play a role or, at worst, share that role with the conservation bureau as well, what specific additional things you would like to see the government do that would affirm this culture of conservation—you know the old line that governments campaign in poetry but govern in prose—that would affirm the intent of this culture of conservation. Specifically, can you give us four or five ideas about what you'd like to see either in the bill or supplemental to it?

Mr Gibbons: Yes. In order to create a culture of conservation in Ontario, we need a profound shift in the

institutional framework of our electricity sector. The status quo institutional framework promotes consumption.

The Ontario Power Authority can play a very important role by establishing province-wide conservation programs. The Ontario Power Authority should also pay consumers to get off the peak and to shift their load from peak to off-peak times when we've got peak demand days. There's a very important role for doing that, because if you pay consumers to switch from the peak time period to the off-peak time period, there are multiple benefits: (1) You can dramatically push down the spot price of electricity, which is very high on peak smog alert days when we're importing expensive, coal-fired electricity from the United States; (2) by shifting demand to off-peak periods you reduce the need for new electricity supply and new transmission supply—huge cost savings there—and you reduce the risk of blackouts.

The Independent Electricity Market Operator unfortunately, because they really see their role as promoting supply, have refused to pursue this option in any serious fashion. They're establishing a very small pilot program in the fall but it's just not significant, whereas the independent system operators in New York, New England, Pennsylvania, New Jersey and Maryland pay customers significant amounts of money to shift from peak to off-peak on peak times, and that provides huge benefits for consumers in those states. That's something the Ontario Power Authority should do.

I've repeatedly gone to meetings of the Independent Electricity Market Operator where companies like Falconbridge are begging the IEMO to do this, but basically they refuse to do so. That's one very key thing, to reduce the amount of peak infrastructure we need, because that is very beneficial. The Ontario Power Authority must play a very important role in doing that and also establishing province-wide conservation programs.

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But the Ontario Power Authority can't do it alone. No agency can do it alone, especially one that's a government agency based in Queen's Park, when we have such a huge and diverse province. As other speakers have mentioned, our 90 electric utilities are close to their customers. They know their local communities, they're trusted and they already have a business relationship with every electricity consumer in their franchise area. These are key agencies that with the right incentives can develop excellent conservation programs.

Enbridge Gas, whom we've just heard from, has developed the best energy conservation programs in Canada, and that's because the Ontario Energy Board linked their profits to the bill reductions their energy conservation programs delivered for their customers. It was in their financial self-interest to do really good, cost-effective conservation programs. We need to give that type of incentive to the municipal utilities. We don't think Queen's Park has to dream up all the conservation programs; we need to give the right financial incentives

to our municipal electric utilities, and those people who are close to the customers, who are in the energy business, can dream up the actual programs if they've got the right financial incentive.

As you know, Minister Duncan gave the electric utilities an initial \$225-million energy conservation budget last November. If the municipal utilities spend that \$225 million as cost-effectively as Enbridge has, then they could potentially reduce their customers' bills by \$1.8 billion or more. That's what can be done if they're motivated to spend the money wisely. But, very unfortunately, the Ontario Energy Board is working at cross purposes with Minister Duncan, Premier McGuinty and the government of Ontario. Minister Duncan has given the utilities \$225 million to spend on energy conservation. They will spend it. But under the OEB's status quo rules the profits of the electric utilities are linked to how much electricity they sell. So for every kilowatt hour they save, their profits go down. What is the most profitable course of action for a municipal utility? It's to spend that \$225 million in a way that gets the smallest possible energy saving.

Mr McMeekin: What gets measured gets done, but we're measuring it the wrong way. We need to stand it on its head.

Mr Gibbons: Absolutely. You've got to make conservation profitable and that's what the OEB is not doing. Nine months after Minister Duncan said, "You're going to have \$225 million," the Ontario Energy Board is still penalizing electric utilities if they promote conservation, and that is absolutely wrong and absolutely irresponsible regulation. Minister Duncan has the authority under the existing Ontario Energy Board Act to direct the OEB to make conservation a profitable course of action for Toronto Hydro, Hydro One, Veridian, Waterloo North—

Mr McMeekin: That targets the whole nine yards.

Mr Gibbons: Yes, and he should do that immediately.

The Acting Chair: Question, Mr O'Toole or Mr Arnott?

Mr O'Toole: Yes. Thank you very much, Jack. As always, you bring a serious amount of energy to the issue. On the specifics of the bill here, schedule A, do you have any problem—under the purpose of the Ontario Power Authority and under the revisions to the Electricity Act it says, "to promote the use of cleaner energy," and talks about alternative energy sources, and then under subsection 2, "alternative energy source" means a source of energy" that will be described in regulations. Do you see any potential that this new, renewable energy could include—it could include nuclear and it could include clean coal, conceivably. Do you think there's any room there? I know you're strongly anti-coal.

Interjection.

Mr O'Toole: No. Do you see that there's any risk there or would you like that clarified?

Mr Gibbons: There's no such thing as clean coal. When Mrs Witmer was the Minister of Environment she issued a regulation requiring Lakeview to cease burning

coal in April 2005. That was a huge step forward. Mrs Witmer's regulation says that after April 2005, if Lakeview continues to operate on some other fuel, it must operate in such a way that its emissions performance is at least as good as that of a natural gas-fired power plant. I think that should be the standard for all new fossil generation. Mrs Witmer's standard should be put into regulation by Minister Dombrowsky: All new fossil generation must be as clean as that of a natural gas-fired power plant.

Mr O'Toole: What if you were to find that coal or some form of liquefied, gasified, whatever, high-energy, high-burn—all that stuff—new, clean coal technology did meet those standards, would you change your mandate?

Mr Gibbons: Our mandate is very clear: The coal-fired power plants we have in Ontario are extremely dirty and a serious health threat, but if someone could make a coal plant as clean as a natural gas-fired power plant, there would be no problem with it. It would be at least as good as a natural gas plant. We see natural gas as a good transition fuel. We would ultimately like to see a world where all our electricity needs are met from renewable power sources and energy conservation. But we see natural gas as an excellent transition fuel. If someone can make coal as clean as natural gas, then that's great. As an economist, I don't believe we'll ever see it, but if someone can do it, God bless them.

Mr O'Toole: I also am pleased to get your correspondence with respect to the role of the energy board. I strongly support that clarification between the OPA and the Ontario Energy Board.

Mr Gibbons: Thank you.

The Acting Chair: Thank you—

Ms Churley: Don't I get a question?

The Acting Chair: No. That's why I asked you to go first.

Ms Churley: On a point of order for clarification: I thought the process was that we rotated, which is why I generously gave up my time, and then the time was split. Sorry about this folks, but I did want to ask a question here. I assumed they would go next in rotation, and then we would split the time.

The Acting Chair: Marilyn, what happened is that we just didn't have sufficient time to allow all three parties—

Ms Churley: Had I known that, I wouldn't have given up my time.

The Acting Chair: That's why I was trying to hint to you not to give up your time.

Thank you, Jack. It was a very good presentation.

Ms Churley: I'll ask you personally after, Mr Gibbons.

The Acting Chair: And you will be the next person to ask a question.

Ms Churley: Thank you.

Mr McMeekin: We have to agree to split it up so there are at least three. It's pretty tough to do sometimes when there are 30 seconds left.

The Acting Chair: That's the problem. With the greatest respect, I guess if the members just asked a direct question, I could do it that way. But what happens is that you have a one-minute preamble before we get to the question, so I couldn't divide it up.

Ms Churley: Not to hold us up in this committee, may I just say that the normal process is that if there's a very short time left, it makes sense to give it to only one person. But when you have a long period of time, generally what we do is go in rotation and divide it up so we—

The Acting Chair: That was the first time we had a long period of time.

Mr McMeekin: It's sort of what we've been doing.

The Acting Chair: That was the first time we've had it; otherwise, it's been short.

Ms Churley: Perhaps we could agree that unless it's just a short period of time, from now on we go in rotation.

TERRA POWER SYSTEMS/TIRINO CORP

The Acting Chair: We have Terra Power Systems/Tirino Corp with us. You have 15 minutes. If you use it all, there will be no time for questions.

Mr Bob O'Connor: Good afternoon, my name is Bob O'Connor. I work with Terra Power Systems in Oakville, Ontario. Thank you for the opportunity to speak before this legislative committee on electricity restructuring. Not since the formation of our electricity industry in this province over 100 years ago have we faced such uncertainty in our future. Sir Adam Beck, a politician and the first chairman of the Ontario Hydroelectric Commission, always maintained that we need to keep politicians from overmanaging the electricity industry in this province. His vision was one of strong central control, driven by experts, that would provide power at cost.

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Here we are again, trying to right the ship and jump-start the industry, only now the stakes are much higher. Electricity has moved from a novelty, to a luxury, to an essential service. This Saturday, August 14, will mark one year since the blackout that cost the US and Canadian economies over \$12 billion in losses, plus some loss of life. It proves the obvious: Electricity is an essential service.

Some lessons learned from that tragedy have been implemented. Sadly, not enough has been done to prevent a reoccurrence. We are painfully aware of some weaknesses in the electricity system that could bring down that system again. While the chances of reoccurrence are low, that impact is very high.

Our knowledge of system weaknesses in the hands of terrorists could significantly increase the risk. Fortunately, the steps to substantially reduce the risk are easy to implement. Regrettably, the political will to implement improvements is non-existent or buried under bureaucratic procedural processes.

Our companies, Thermion and Terra Power Systems, are here today to provide some advice. We have technology that can improve system security and help to reduce costs. Our recommendations have been made before the OEB, the IMO and the MOE. The message is consistent: People are just not interested in demand-side alternatives.

Our solutions are prejudged to be either too expensive or unworkable. At the IMO, we encounter a cavalier attitude that the supply side rules and that demand response will distort the market and market forces. I suppose that lower prices, and more predictable demand profiles are considered market distortions. The added bonuses of our technologies are better use of existing resources and increased system security and reliability. None of these added values are reflected in the current electricity pricing structure.

Looking at our technology is like looking at a bicycle shop to build an airplane. You could not possibly look at the Wright brothers' first flying machines and see a jumbo jet or the space shuttle, yet they all use the same patented Wright brothers' technology. If you looked at our patent-pending, load-control technology, you will not at first see a 1,000-megawatt solution like you can clearly see in the refurbishment of the nuclear plant at Pickering at a cost of billions of dollars.

In our solution, you will see 100 kilowatts of load control or load shifting at each site. But if you multiply the effect over hundreds of arenas, municipal pools, government buildings and municipal offices, the megawatts add up quickly. Some of our solutions have been offered to the government at no cost. We are having a hard time getting people at ORC or utilities to even return our calls.

What is our suggestion for Bill 100? Act now. Stop wasting our tax dollars on US consultants. We have Canadian know-how and Ontario companies with products that can lead to a better and more secure electricity future now, not next month nor next year.

Not all solutions are found in the United States. McMaster University is looking to set up a demand response centre like the one funded by the California Energy Commission at the Lawrence Berkeley National Laboratory, the Berkeley Lab. We can't even get the government to co-fund a workshop on the idea to discuss their proposal with Ontario stakeholders.

I wish I could give a more positive response. We have been told to wait for the implementation of Bill 100 and the direction from the Ontario Power Authority or to go and see someone else.

Our message is simple: Equal pay for equal performance. Most only see more supply and more transmission as long-term solutions to the current crisis. Demand response in all its forms can provide short-term relief and long-term reliability.

It has been said that if we don't learn from our mistakes, we are bound to repeat them. Let us learn from the blackout of August 14, 2003, and make better and more efficient use of the electrical resources in the province of Ontario.

The Acting Chair: Thank you. We have five minutes, divided by three.

Ms Churley: Thank you very much for your presentation. Can you just describe a little bit more fully what technology you're offering?

Mr O'Connor: There's more than one kind. Thermion, which Richard represents—he has one sort of technology. Maybe he could speak to that a bit.

Ms Churley: We only have a couple of minutes.

Mr Richard DiMarco: Just quickly, we are a manufacturer based here in Ontario, north of Toronto; in Concord, actually. We are presently manufacturing an electric thermal storage system to be used in demand-side management technologies, in the sense where we use this equipment to store energy during off-peak hours, to be used during the day during the on-peak hours. We have a lot of difficulty trying to implement these products in this province based on the way the electricity market is structured at the moment.

Ms Churley: So you're here today to ask the government—first of all, you're looking for a meeting, and you haven't had that opportunity but, secondly, you need some amendments and changes to the system so you can get in the market. Is that what you're saying? I'm not clear.

Mr DiMarco: As a manufacturer, we're looking for a proper market so that our products are feasible. There's no use making them if nobody's going to buy them.

Ms Churley: I see.

Mr DiMarco: I read Bill 100—not the whole thing—and I like the changes that are being made, because in the past we've had a lot of difficulty trying to get the IMO and other government agencies to work with us.

Ms Churley: Is there a prototype being used anywhere in other jurisdictions?

Mr DiMarco: Not at the moment, no. We're concentrating on this market.

Ms Wynne: I just wanted to clarify that last comment you made. You've read Bill 100, you're happy with some of the changes, so I guess I'm just looking for what it is exactly in the bill that you're not happy with. There was definitely some disgruntlement, and I just need some clarification on your concerns or the areas in the bill that you want amended or you think should be changed.

Mr DiMarco: The position we're in right now—we'd like to have seen these changes years ago.

Ms Wynne: The best time to plant a tree is 40 years ago, right?

Mr DiMarco: Right.

Ms Wynne: We agree with you. However, here we are.

Mr DiMarco: Here we are. I wish there was some way we could act now. How long is this process going to take before all these changes are made? It could be a couple of years, and the problems are not going to go away.

Ms Wynne: I don't know if the parliamentary assistant wants to say anything, but my understanding is that we're trying to move ahead as quickly as we can. Yesterday a group came to us and said we were moving

too quickly. So we're trying to move as carefully and responsibly as we can. You're generally saying you like the direction we're moving in and you would just like us to go faster. OK. Thank you.

Mrs Cansfield: Very quickly, on September 8 we will be holding an industry forum for stakeholders like yourself—you'll get an invitation—so that you can have folks look at your technology. But I agree with you, it appears to be slow. It's frustrating: You need a rate change in order to store, but there's no point in storing something if the price is the same. So I understand and share your frustration. You've been in my office, I know. I also know that you have some extraordinary entrepreneurial and innovative things to offer. We all know it should have been done yesterday. So we're with you on that.

Mr DiMarco: I appreciate that.

Mr Arnott: Like Ms Churley, I'm fascinated by the discussion of your technology and I'd like to hear a little bit more about how it works. It's like an elaborate battery, I gather, is it?

Mr DiMarco: Basically it uses a phase-change technology. We use a medium that can change phases between solid and liquid. We store heat during the phase-change process and release that heat from a liquid back into a solid during on-peak hours. This is used primarily for heating. We are also working on cooling technology. It would take that electrical load off the grid. Maybe for one house, it won't make much of difference, but we estimate if there are 200,000 units, you could be talking about 4.3 megawatts of power, something along those lines.

Mr Arnott: Do you have a working prototype?

Mr DiMarco: Oh, absolutely. We have approached, and we are getting another meeting with, the ORC. We would like to start with government buildings, public property, because they not only have a financial issue, but there is also social responsibility. Whatever power they take off the grid means there's more power for everybody else. So by shifting the loads in government buildings, it leaves more power for everybody else, without having to generate more.

Mr Arnott: From what you've told me, it sounds like you've got an exciting, innovative technology that's in sync with what the government is saying needs to be done. I certainly wish you well as you continue to—

Mr DiMarco: And we're working with Terra Power. They have the control system and we have the actual hard product to work together to try to move forward with demand side management.

The Acting Chair: Thank you very much for being here, on behalf of the committee. We appreciate your comments.

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DAVID SUZUKI FOUNDATION

The Acting Chair: Our next speaker is Mr Alex Boston from the David Suzuki Foundation. Alex, you have 15 minutes.

Mr Alex Boston: You bet. I'll just circulate my submission.

Distinguished members of the social policy committee, it's a real pleasure to appear before you. I think it's only appropriate that these proceedings happen within a couple of days of the first anniversary of the greatest electricity crisis in North America.

The August 14 blackout of last year is a testament to the vulnerability of a system dependent on large, costly, centralized electricity plants. These plants are part of an expensive and increasingly fragile transmission grid still struggling to meet growing electricity demand. The blackout occurred, it is no coincidence, on a hot summer day with industry, business and residential power operating almost at peak demand. The public health toll that characterizes such days is very clear. Government has consistently failed to consider such social and environmental costs in electricity planning.

A great sage once told me that there is just one mere brush stroke of difference between the Chinese character of "crisis" and "opportunity." I consulted with a linguist friend of mine who is also Chinese, and he says it's utter nonsense, but I think it's nevertheless an important consideration that we can create opportunity out of crisis, and that informed leadership can take advantage of this opportunity.

Ontario has an unparalleled opportunity also to reduce the province's and the country's greenhouse gas emissions, addressing one of the most urgent crises facing humanity in the 21st century. Ontario can join other foresighted jurisdictions around the world in demonstrating that environmental sustainability, health protection and a competitive, efficient industrial economy need not be balanced off one another, that in actual fact these agendas must be simultaneously pursued to protect the interests of present and future generations.

Fortunately, the federal government is currently recognizing that it is deeply concerned about our non-performance in meeting our Kyoto objectives, and there are unprecedented signals that there is an interest in specifically using efficiency and renewables as a central part of the strategy to achieve our Kyoto targets. I think there is a unique opportunity for Ontario to take advantage of this interest.

The Electricity Restructuring Act is making small steps in the right direction, specifically with the stated intention of treating electricity generation on par with conservation and efficiency. However, the act as it currently stands threatens to entrench similarly unstable, centralized, expensive systems that are very fragile and clearly part of the problem of last year's blackout. To ensure that Ontario's electricity system is improved, the act must make health protection and environmental sustainability a guiding principle.

Specific provisions are required to adequately support the development of renewable energy. The distributed nature of renewable energy technologies offers the most reliable and cost-effective source of new energy. Jobs and revenue-generating streams would be created

throughout the province. Ontario is ideally situated, with its workforce and industrial base, to take advantage of the potential to develop a meaningful renewable energy industry right here in the province for domestic and international market opportunities.

I would like to commend the committee for the thorough consultations it is engaging in. We really appreciate the opportunity to appear before you.

On page 2, as I mentioned, the greatest oversight I think is the absence of any guiding principle to public health protection and environmental sustainability. One can see in the act's purposes and the objectives of the OPA and the OEB that there is no reference whatsoever to the importance of protecting public health and the environment. Given the impetus of the incredible public health costs to the commitment to phase out coal, that should become enshrined in the legislation in those particular stated places.

Furthermore, the opportunity for both efficiency and renewables to create community economic development and industrial development opportunities in the province of Ontario is enormous. Specifically in terms of community economic development, there is job creation, new revenue streams—the re-spending effect from energy savings. It's only appropriate that, since this restructuring process will involve investment by all Ontarians, communities right across the province should benefit. These valuable benefits are not acknowledged in the act and will only be fully realized if they are articulated as goals and objectives throughout the relevant parts of the act; specifically, the act's purpose and the objectives of the OPA and the OEB.

Moving on to page 3: While there is some recognition of the important role of renewable energy, there is no recognition within the act that mechanisms that renewable energy has unparalleled opportunities and unparalleled benefits to achieve Ontario's electricity needs. Certainly there's a recognition that conservation and efficiency will play a role, and that's of primary importance. Renewables is a complementary strategy, and the full development of Ontario's abundant renewable energy resources is only possible with specific mechanisms.

When we take a look at the specific benefits of renewable energy, there's increased system reliability. There's a recognition by the McGuinty government and the Ministry of Energy that distributed energy offers significantly greater security benefits to the province of Ontario, but nothing in the act ensures that there will be significant deployment of renewables. The health benefits are clear. I've already mentioned the community development benefits. Figure 1 on page 3 clearly outlines what the job creation opportunities are of deploying, operating and managing various renewable technologies, in contrast to conventional natural gas.

In terms of institutionalizing the commitment to sustainable energy overall, what is absolutely critical is that there be some kind of mechanism. The proposed conservation bureau attempts to do this with efficiency

and conservation. What we are recommending is that the conservation mandate be enlarged and that it become a sustainable energy bureau. The sustainable energy bureau must be positioned centrally within the machinery of the OPA so that conservation, efficiency and renewables, the very essence of a robust electricity system, are the priorities that shape the entire agenda of the OPA. This sustainable energy bureau would have the authority and practical tools to influence the operation of the entire electricity system.

Specific mechanisms for advancing renewable energy implementation: On August 9, Minister Duncan emphasized to this committee, "There's no doubt that this legislation and its technical regulations are very complex. Very simply, we want to ensure that we get it right the first time...."

"Our desire is to help Ontarians unlock the potential for efficient electricity generation that is around them. We will remove barriers, free up resources, and bring new thinking and new ideas to the challenges that lie before us."

It is in the spirit of these remarks that decision-makers could benefit from examining innovative thinking in the countries leading on renewable energy deployment around the world. For example, Germany and Spain do not have exceptional wind resources whatsoever, or large territories, but they have nevertheless become world leaders in wind deployment in less than a decade. Germany is also a world leader in solar technology and sustainable biomass technologies. Last year alone, Germany deployed more than 2,500 megawatts of wind; Spain, close to 1,500. Spain is a relatively late starter in the wind deployment challenge. Specifically, what Germany and Spain have used are renewable energy tariffs, which I understand the committee has already been made aware of.

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Work that we have commissioned to be released early this fall concludes that, based on the European experience, Ontario could install as much as 8,000 megawatts of wind-generating capacity alone by 2012. A fleet of wind turbines of this magnitude could generate 13 terawatt hours annually, or about 9% of current consumption. This fleet of wind turbines can be supported in Ontario with existing hydroelectric facilities as backup. Using the same assumptions as a recent economic impact study for Quebec, this 8,000 megawatts of wind capacity could produce \$14 billion in economic activity and 97,000 person-years of employment. This is the most cost-effective and reliable approach to meeting new electricity supply requirements.

Furthermore, our analysis also illustrates that there are tremendous resources in the form of low-impact hydro, sustainable biomass, solar energy and geothermal pumps. What is needed, however, is practical policy mechanisms. Specifically, once again, the act should provide for the negotiation of stable, advanced renewable energy tariffs to identify specific electricity generation payments for each renewable energy option and also facilitate the

right for renewable energy generators to connect into the electricity grid.

Page 7: I just would like to make a couple of references to the limitations of large-scale natural gas. We acknowledge it can play a role in distributed, efficient combined-cycle turbines, but there are also many implications. The contribution of natural gas to climate change is significant. A full life-cycle analysis shows that greenhouse gas emissions from natural gas are anywhere from 35% below to 25% above those of coal power, depending on the study. Natural gas prices have moved from \$2 per 1,000 cubic feet in the 1980s and 1990s to around \$3.50 to \$4 per 1,000 cubic feet. There's a recognition domestically and in the US that Canada only has nine years of production of natural gas unless new reserves are discovered. Natural gas has an important role to play, but investing heavily in natural gas creates huge implications in terms of infrastructure renewal in the future.

I'd like to just close my remarks by tabling with the committee two reports: Bright Futures, which we published in the wake of last fall's electricity blackout, and Kyoto and Beyond. Most notably, the two chapters that are relevant there are the chapters on residential, commercial and institutional building opportunities for advancing efficiency and conservation. Thank you.

The Acting Chair: Thank you very much, Alex. We have four minutes left. I will start with the government side. Any questions?

Ms Wynne: Actually, yes, I'll ask a question. The wind issue: One of the things we've been told is that the wind in Ontario isn't located—in Germany it's located better. It's easier to get at the wind in Germany and it's more consistent than it is in Ontario. You're saying 8,000 megawatts; that's a big number.

Mr Boston: Yes, 8,000, and that's concentrated predominantly in southern Ontario.

Ms Wynne: OK.

Mr Boston: With convenient access to the grid.

Ms Wynne: Because that's the other issue in Ontario, the distances that are different from European countries, right?

Mr Boston: Yes, but the feasibility study that we have done is very conservative, and we're quite confident that 8,000 megawatts is possible by 2012. But what is required most significantly is advanced renewable energy tariffs to provide long-term stability for renewable energy investors in this province.

Ms Wynne: It's great news that we can get that kind of energy out of wind. We hear different stories about what's possible and what's not. Thank you very much.

Mr O'Toole: I wouldn't disagree with many of the observations; the conclusions perhaps add some uncertainty, again, to the natural gas argument, which we heard earlier today. The supply argument is out there and it's all predicated—in other words, the supply of gas at what price is really the issue here. You're right: If they jump to that quick-term solution of building that natural gas infrastructure, we're locked in; we've made the

decision. It would outline one of the renewables we're talking about here: the wind.

Displacing the 25% with 7,500 megawatts of coal is problematic. Even if you look at the 8,000 wind turbines you're suggesting, at about \$1.5 million per megawatt, to replace that it's about \$11 billion in wind turbines, many of which will not be tied or related to the transmission grid. So there's a whole other part of this equation of getting the electrons to the grid.

I agree with the displacing of the coal solution as quickly and efficiently as possible and a mix of generation capacity. Would you in all cases say that they should re-examine the 2007 mandate to get rid of the coal, or should they, when they can add generation, take coal off? Do you think they should forget the ideology of the 2007 date and say, "Here's 2,000 we're taking off from Nanticoke. Here's how we're replacing it. Here's the grid"?

Mr Boston: I think with clear leadership from this government it is possible to meet the 2007 target. But what is required is a firm commitment to conservation and efficiency, and I echo the remarks of many speakers who have preceded me. Most important are specific mechanisms within the act to provide long-term security for the deployment of renewables. The current targets are inadequate, and there isn't a mechanism.

Mr O'Toole: What would the renewable portfolio standard be, in your view?

Mr Boston: The renewable portfolio standards haven't proven as effective as advance renewable energy tariffs. That is what the mechanism that has—

Mr O'Toole: Which is a higher price, really.

Mr Boston: Which is a guaranteed price contingent on where the renewable energy is generated in the province, and that's where you get the distribution. So higher prices are afforded to areas where the resources are somewhat weaker, and guaranteed access to the grid. That's what Spain has used, that's what Germany has used and that's what Denmark has used.

Mr O'Toole: Spain and Germany's baseloads are from France.

Mr Boston: The convenience in Ontario is that our baseload is hydroelectric capacity. That's what can back up our renewables.

The Acting Chair: Marilyn, go ahead and ask your question.

Ms Churley: I wish I had more time, but I don't, so I'm going to focus on gas for a sec. Do you think it's possible to not proceed with nuclear power, close down the coal plants and move forward without building new gas infrastructure, without using gas as transition at all? If you don't think that's possible, how far do you think we should go in terms of gas as transition?

Mr Boston: I don't think any large-scale gas plant whatsoever should be built in this province. Natural gas has an important role to play in distributed combined-cycle operations, and I think that's the only role natural gas should play. There should be a commitment to phasing out nuclear power by 2015.

Ms Churley: Tied to it, and the coal plants tied to the building. By combined cycle, you mean cogen?

Mr Boston: Correct.

Ms Churley: Right. But, otherwise, if there is no cogen attached, it shouldn't be done at all.

Mr Boston: It shouldn't be used. What we have to make sure of is that there is a responsibility to the taxpayers of this province. The volatility and the rising price of natural gas, which is recognized by the oil and gas industry, isn't something that Ontarians should be heavily investing in whatsoever.

Mr O'Toole: Could I ask research a question on the supply of natural gas? I've heard a wide range of experts telling me that we have nine years to 900 years. Could we get some kind of definitive research on the availability and at what price?

The Acting Chair: We'll do that.

Mr McMeekin: I'd like to get some figures too about the amount of money that has been poured into the nuclear side of the energy equation and to what extent that's a portion of the stranded debt. I'd like to see that, because there's a lot of this either-or choice. We're hearing about freeing up the market. We're hearing that you do some creative regulatory tariff stuff to enable the green side. I heard Mr O'Toole use the word "subsidy" there, wind energy. It would be my thinking that—

Mr O'Toole: That's what a tariff is.

Mr McMeekin: Well, I think if we were to look at the kind of investment we made on the nuclear side, I'd submit it's a question of values, and I'd like to see some of those figures.

The Acting Chair: We will do that. OK.

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PEMBINA INSTITUTE FOR APPROPRIATE DEVELOPMENT

The Acting Chair: Our next presenter is Mark Winfield from the Pembina Institute.

Are you all set, Mark?

Mr Mark Winfield: Yes, we're ready to go.

The Acting Chair: You have 15 minutes.

Mr Winfield: My name is Mark Winfield, and I'm program director with the Pembina Institute for Appropriate Development and also director of the institute's Ontario initiatives.

The institute is a national, independent, not-for-profit environmental and energy research and education organization. It was founded in 1984 and now has offices in Calgary, Edmonton, Vancouver, Ottawa and Toronto.

We've taken a strong interest in electricity policy issues in Ontario over the past couple of years, and the institute is co-publisher with the Canadian Environmental Law Association of Power for the Future, the report attached to our brief which investigated the potential contributions of energy efficiency and low-impact renewable energy sources to Ontario's future electricity system.

In developing Power for the Future, we used a sophisticated computer model developed by the energy and materials research group at Simon Fraser University to investigate the potential contributions of energy efficiency to the province's future electricity supply. What we found was that a 40% reduction in electricity consumption against business-as-usual projections was possible over the next 15 years using cost-effective technologies available today. We also found that efficiency was a very good economic choice, that consumers would recover 96% of their investment in efficiency measures through long-term energy savings.

On the whole, we found that, through a combination of efficiency measures, new low-impact renewable energy sources, supplemented by new combined-cycle natural gas generating facilities, it would be possible to complete a phase-out of the province's coal and nuclear powered generation facilities by 2018.

These findings inform our comments on Bill 100. In passing, I would like to mention that we welcome the government's decision to ask the committee to look at the bill before second reading, which allows us to address it more at a conceptual level, rather than having to deal with the minutia of the provisions at this stage.

Our comments on the bill are focused in two areas: (1) how the bill defines the overall goals of Ontario's electricity system; and (2) the level and the nature of the policy direction given through the bill to the key actors in the system, particularly the proposed power authority, the independent system operator and the Ontario Energy Board.

With respect to system goals, we are surprised, given the widely recognized impact of the electricity sector on the health and environment of Ontario residents, that there are no references contained in the bill to the protection of public health and the environment as goals of the electricity system to be developed by the power authority and approved by the energy board. The goals of the protection of public health, safety, security and the environment should be reflected in the "Purposes" section of the bill and in the mandates of the institutions created or affected by it, specifically the power authority, the system operator and the energy board.

Secondary concern is around the electricity system design. The government has repeatedly highlighted its commitment to both energy efficiency and low-impact renewable energy sources as key parts of Ontario's future electricity system. We are again surprised that this direction is not reflected in Bill 100. In fact, we note that Bill 100 proposes to remove the references to the promotion of energy efficiency and clean and alternative energy sources from the mandate of the Ontario Energy Board.

In our view, Bill 100 should reflect a hierarchy of maximizing opportunities for energy efficiency first, followed by maximization of opportunities for renewable energy sources and then finally meeting remaining grid demand through the least-cost-and-impact non-renewable sources available. These directions should again be incor-

porated into the "Purposes" section of the bill and into the mandates of the power authority and the energy board.

The overall conceptual approach that we're proposing is shown in the graphic on the last page of our submission, which shows at the top the overall system goals we're describing: adequacy of supply, reliability/quality of service, protection of health and environment, long-term economic sustainability and social sustainability; and then within that framework of goals, the hierarchy of maximizing the technically and economically feasible efficiency options, followed by the maximization of the potential contributions for low-impact renewable resources; and then, finally, employing the least-cost and lowest-impact non-renewable supply to meet the remaining grid demand.

Our overall concern is that without much stronger direction in the bill, the effect of Bill 100 would be to direct the OPA and the energy board toward the maximization of conventional non-renewable supply, with limited regard for the environment and public health, and only marginal pursuit of efficiency and renewables. Such an outcome would not result in an electricity system that is economically and environmentally sustainable in the long term, and therefore would not serve the best interests of Ontarians.

I'd be pleased to answer any questions that you have.

The Acting Chair: Thanks, Mark. We will start with the opposition.

Mr O'Toole: Yes, thank you very much. I apologize; I was a little bit distracted during your presentation, but I did get the general gist of it, that the idea here was to rid ourselves of reliance on our traditional sources of generation, which were base nuclear and peaking with fossil.

Mr Winfield: Particularly coal, yes.

Mr O'Toole: Yes, particularly coal.

You're an economist, and I'm sure you've been paying close attention to the natural gas debate. I've asked research to bring some certainty to that debate. Do you have any sense that a strong reliance on natural gas is the solution in the short term? The second part to that would be bringing renewables on without some sort of tariff, which is really a subsidy. Would you address that in a general sense as an expert in the area?

Mr Winfield: On the gas side, certainly one of the results that we found out in the modelling was that you did get a bit of an increase in gas consumption for co-generation purposes and also as part of the substitution of electric hot water heating.

We had a pretty good look at the long-term projections around gas, both in terms of what's come out of the National Energy Board and also out of the CASA process in Alberta that the Pembina institute participates in. A couple of things came out of that. One was that the projections seemed to be that we were OK within the time frame that we're looking at in terms of overall supply. What we are definitely looking at is an increase in price. You'll find in the report the projection that was

produced for CASA that lays that out. Indeed, the modelling we did does build in the EnerCan and National Energy Board assumptions about what's going to happen with natural gas prices.

We are seeing gas as a transitional fuel, but we're very sensitive to the issues about supply and price stability. There are a number of things that can be done to hedge that in terms of long-term supply contracts. It has also been suggested to us that we may have actually underestimated the potential contributions of wind, for example, or from things like solar hot water heating, which, again, would reduce the stress on the gas supply.

On the renewables question, there are a number of different ways of doing this. The feed-in tariff is one possibility. Another one is simply a straight RFP, where you set a target and say, "We need this many megawatts by this date," and see what comes in in terms of price. Effectively, to some degree, you are assuming that you may need to subsidize the price at the margin.

You'll see in the report that we did some tables which actually showed the prices of the different forms of supply, as best as we could determine from the information that was out there. In fact, the gap between wind and other sources of supply was actually not as large as some people would suspect. But it may be that some sort of mechanism in the short term may be necessary to get that moving.

The critical thing that the wind folks said to us, especially, is that what you need is to get to a large enough scale of operation in Ontario where you actually get a manufacturing operation happening here. That would help them a lot, in terms of both costs and being able to predict their prices, because they're saying to us, "One of our problems is, we get killed on foreign exchange because we have to import all the equipment." So it's a question of getting to a critical mass.

Mr O'Toole: The infrastructure as well is important, both for natural gas and wind.

Mr Winfield: Yes—

The Acting Chair: Let me just stop there. I apologize. I want to make sure everybody has the opportunity to ask questions.

1450

Mr Hampton: Some people have been critical of your report, which your views here are based on in terms of your emphasis on energy efficiency, energy conservation. I've heard people say to me that all the low-lying fruit has been picked; anything more to be done on the energy efficiency side is going to be very difficult. How do you respond to that?

Mr Winfield: I think the short answer is that that does not seem to be the case. What we asked the folks at Simon Fraser University to do was to investigate very specifically what the potential was, and they did that in terms of two things: What are the available technologies—and we've said that that meant commercially available, not things that are on a lab bench; it meant things that are actually in the marketplace now—and we also built into the model consideration of the actual price

of electricity and therefore the economic attractiveness of the investments. Based on those two considerations, what they came up with was the 40% potential as being both economic and technically feasible.

What goes into the model is all based on the StatsCan and EnerCan information on current energy use patterns, which is quite detailed in terms of actual end uses. What we found was that the critical barrier is that although these investments are economic in the sense that they will pay for themselves over time, the problem is that the potential investors are unwilling to tolerate the payback periods you need to endure in order to recover your investment. Typically they're looking for a payback of a year or two years, and in fact what you need to be willing to tolerate is a payback of more like maybe five, six, seven years. We assumed that you could address that problem, and once you can overcome it, that's when you start to get the kinds of numbers we produced.

Mr Hampton: So how do you overcome that? What things can government do?

Mr Winfield: The crucial thing is that you need to find a way to allow for potential users of these technologies to realize the savings sooner. So you need to have some sort of financing mechanism that pays the upfront difference in the cost between the efficient model of a light bulb and the conventional model, and then lets them pay that back over time out of the savings they're achieving in the long term. That's fundamentally the mechanism you need.

There are all kinds of different ways you could do it. One of the things, following on from Jack Gibbons's suggestions, is that if you can structure the rate system in a way that you give the individual utilities incentives to do that, they may be willing to step forward and provide the financing to allow those kinds of programs to unfold.

Mrs Cansfield: I'd like to raise the question around the OEB. We've heard from a number of folks about taking away the conservation initiatives. Part of the responsibility of the OEB is consumer protection and its regulatory processes. The intent was to take away that particular initiative around conservation because there's going to be the establishment of a conservation bureau, and in fact to give the teeth to it so there isn't that crossing out of the mandates that we heard someone else speak about. It's interesting that I've heard very few people, although they're strong on conservation, speak about the impact, the significance, the board of directors, the governance, the teeth in the conservation bureau itself, as if it doesn't exist, and yet it is very much so in this bill. So I'm curious as to why, Mark, you haven't spoken about it, or why you feel it's so important that both of them have the same initiative.

Mr Winfield: I think what one wants to be doing is reinforcing certain messages. The subtext of what we're saying is that our concern is that, in the absence of a much stronger legislative direction at both the purposes level and at the individual institutional mandate levels, there is a very real risk that the conservation bureau will be marginalized in the overall scheme. As our reading of

the overall bill stands now, the power authority seems to be given a mandate that is really quite risk-averse, and this has been reinforced in various discussions we've had in terms of the reliability and adequacy.

Our concern is that there's a real risk there of a kind of technological tunnel vision. There's always a risk with technologically oriented institutions to begin with, but I think if you're doing that, you reinforce that risk. Therefore, it's very important that the Legislature send the message very clearly, both at the overall purposes level and in all the individual institutional mandates that set this direction, that says we want to see efficiency first, we want to see renewables there. Otherwise, I do think there's this real risk of marginalization.

Mrs Cansfield: It would be helpful if you would consider putting in writing how we could go about doing that in terms of strengthening that regulation. If you want to give the authority to the conservation bureau and to ensure that it does have a strong mandate that people will take notice of, it would be helpful if you could do that for us, if you could get that to us, Mark.

Mr Winfield: Yes. I think our brief touches on that in a preliminary way.

Mrs Cansfield: It does, but it doesn't give us specificity. That would be great.

Mr Winfield: Yes, OK.

The Acting Chair: Ted, do you have a three-second question?

Mr McMeekin: I found your comments helpful. It appears to me that consumer protection can't be divorced from conservation. It's part of the focus you're challenging us to look at.

Mr Winfield: Yes, it's—

The Acting Chair: Thank you. We are out of time. I appreciate it. Thank you very much, Mark.

CANADIAN CHEMICAL PRODUCERS' ASSOCIATION

The Acting Chair: Our next presenter is from the Canadian Chemical Producers' Association. It's Norm and David. You have 15 minutes. Do you want to just introduce yourselves?

Mr David Podruzny: My name is David Podruzny. I'm with the Canadian Chemical Producers' Association.

Mr Norm Huebel: My name is Norm Huebel. I'm also with the association.

Mr Podruzny: I'll try to keep my opening remarks brief, but I do want to put in some context. We have provided a submission, which I believe you already have in front of you, for reference purposes.

Ontario's chemical industry represents about \$9 billion in production of basic chemical and resin manufacturers, and we are the basis of a broader \$21-billion chemical manufacturing sector in the province. Some 70% of our production is exported; 86% of that is going to the United States. We are an important contributor both in terms of taking energy and converting it into high value-added products and in providing products for

downstream sectors such as automotive, agriculture, food processing, information and communication technologies.

Electricity is an important component in the competitiveness of our sector. I want to emphasize two areas in particular, the first being our global competitiveness and, second, I want to spend a couple of minutes discussing cogeneration or combined heat and power or distributed generation. It's got different names.

Electricity costs represent between 60% and 80% of the variable manufacturing costs for the inorganic chemicals component of our sector. They are key suppliers to the pulp and paper industry. It has a similar importance and component of operating costs in the compressed gas manufacturers' subsector. The electrochemical industry is well suited to play a role in DSM but we don't believe they could do that through the LDCs process. The petrochemical operators, where electricity is maybe only 5% or 10% of variable operating costs, represent an important—it has to be a stable electric power. Even cycle shifts will cause a plant to shut down, incurring large start-up costs and increasing health, safety and environmental risks.

On the matter of competitiveness, Ontario has a small and open economy. We have the ability to bring products into the province from outside the country. We have to be competitive to thrive. Cost matters. Electricity is an important investment and profitability factor for each segment of our chemical sector. Ontario is competing for investments in the industrial chemical manufacturing grouping, specifically with Alberta, Quebec and Manitoba in Canada, and with US locations in Texas, Louisiana and Georgia.

In the past, investment in Ontario has been predicated on available, low-cost, dependable electricity. Some companies have already told us that the total delivered price today of around \$60 a megawatt hour puts us out of the competitiveness game. Bill 100 is going to require some careful implementation to provide electricity at price levels that maintain Ontario's industrial base and allow it to expand.

1500

On the issue of cogeneration, cogeneration systems generate electricity and useful thermal energy in a single, integrated system. They use, in our case, natural gas, while producing more usable power and steam. They use net less gas than separate operations and they reduce net greenhouse gas emissions. Ontario's chemical manufacturers rely on cogeneration. They require the steam. It would have to be produced through boilers separately otherwise. There are policy barriers to cogeneration that will need to be addressed if this efficient power conversion source is to realize its full potential in Ontario. The sad reality of cogeneration in Canada is that while it's about 7% of the total, its use is going down rather than going up.

If Ontario is going to deliver the power it needs at competitive rates, we believe you must retain all options for generation. That includes clean coal technology and

nuclear. We believe that reasonable performance standards need to be set and then technologies can deliver solutions. We would urge you not to find the solutions in advance. Clean coal technology is available and operating in Europe. Ontario can show some leadership in North America by setting some reasonable emission standards. We believe the 225,000 megawatts of power that's coal-fired in the United States could stand some improving, and we think Ontario could show some leadership there.

We believe there is supply uncertainty. We believe there is concern that costs will be high and there is concern over a lack of process clarity in the bill. It's enabling legislation. There's a lot of uncertainty about where we're going.

But I guess our bottom line is that, as an industrial chemical industry, we need stable and reliable power and we need a competitive system. Bill 100, with its hybrid approach, if it's successful, might well deliver that. In our view, it must deliver that. We don't have an option. We must remain internationally competitive because we are unable to increase our prices because the competitors south of the border or further south of the border can deliver the same products we're producing here. Thank you very much.

Mr Huebel: I guess I'd just like to add one thing too, listening to what some of the previous people were talking about. I get a little bit concerned—my wife says, "Get to the bottom line," and I'll get to the bottom line—when I hear people talk about phasing out coal at four and five cents a kilowatt hour, phasing out nuclear at two and three cents a kilowatt hour and replacing it with renewables that have been quoted anywhere from eight to 12 cents a kilowatt hour. I really question from an industry competitiveness point of view and even from that of a homeowner, a taxpayer and a voter, who's going to pay that increased cost.

The Acting Chair: Thank you very much. We will start with Mr Hampton.

Mr Hampton: Earlier today, we heard from representatives of the mining industry, the pulp and paper industry and the steel industry, and the point they collectively made was they looked at the sort of bundle the government is proposing—mind you, it's not a clear bundle yet—and said they thought this would increase electricity prices by between 30% and 50%. The representatives of all three industries said that was a major problem for them. Have you done your analysis? Can you share it with us? What does that mean for your industry?

Mr Podruzny: I didn't bring the numbers with me or, if I have them, it might take too long to find them. As I understand it, since market opening in 2002, the prices have already gone up 30%. The analysis—and I don't know if this was the AMPCO group you're referring to—

Mr Hampton: Yes.

Mr Podruzny: Their analysis, which we shared—and our members participated in some of the surveys—suggests a further increase of anywhere from 30% to 50% from today's prices. Ontario is at least in the top

quartile. I don't think we're overall winners, but our prices in North America are maybe third or fourth from the top already. If we're heading toward doubling those prices again, I think we've got problems as a manufacturing province. There are certain kinds of operations and certain amounts of overhead that you can eat, and certain amounts that you can't. We're not so concerned today about existing facilities as about our ability to attract growth and have good opportunities for our children as we move forward.

I should have mentioned too that there is quite a debate around natural gas. I would suggest that maybe, in analyzing the overall North American ability for supplying incremental natural gas, we make the point that it's not a silver bullet. North America has been increasing its demand for natural gas faster than its supply. I think there's a capacity to bring natural gas in from offshore, but it will pose some serious problems to Canadians to accept those kinds of delivery systems, and I think that could be an infrastructure issue.

Ms Wynne: I just want to make a quick point, and then I do have a question. I guess when you talk about the cost of coal-generated energy, one of the underpinning principles we're operating on with this bill, and with our energy policy in general, is that you look at the whole cost. We've got to look at the cost to kids who have asthma; we've got to look at the cost to the health care system. I think we could have that discussion, but that is one of the underpinnings of the direction we're going in.

You talked about some barriers to cogeneration. Are you talking about specific barriers in your industry? Is there something specific that you wanted us to know about your particular industry? Can you clarify that?

Mr Podruzny: We have a discussion document on cogeneration. We also have a short, two-page document on cogeneration and some of the policy issues that are barriers to development of cogeneration.

One thing to think of when you talk about cogeneration or local distribution and generation is that it's a small business. When that group goes up against OPG or Bruce Nuclear, they are a small business. The overhead to deliver the kind of paper burden and paper trail and guaranteed operating rates and all that sort of thing—when you compare them to a cost-plus construction company that's underwritten by the government of Ontario, these small entrepreneurs cannot meet those kinds of overhead. So there needs to be some consideration given to cogeneration. We think it needs to be incented.

Ms Wynne: OK. Have we got the papers you referred to?

Mr Podruzny: I will make sure this committee also has it. I have passed it on to the government, but I will make sure this committee gets it.

Ms Wynne: That would be great.

Mr O'Toole: I appreciate your presentation. It does reinforce what we heard from AMPCO this morning, that we can expect higher prices, according to the way Bill 100 is currently structured.

I'm reading an article from the Sarnia Observer of July 8 on the cogeneration facility built by, I believe, Imperial. It's natural gas cogeneration, electricity and steam. It's not operating. In fact, the article says it costs more to produce electricity and steam through cogeneration than to purchase the electricity from the power grid and produce the steam in boilers.

There's also the argument on this whole supply thing. We've asked every presenter to say what the number is. If you were to make investments today, as you are indicating by your discussion with Ms Wynne, is there enough certainty in price and availability? You have to have pipelines to get the gas here, and they aren't in place. That's a federal issue, and that will take 100 years with all the environmental issues. Is there enough certainty for you to build cogeneration? To replace coal by 2007, we've got to build a pipeline across Canada. If they go to natural gas, everyone who knows anything about this topic says that natural gas will come to market at seven or eight cents, which you just said will put you out of business; therefore, you won't have anybody to use it or pay for it.

1510

Mr Podruzny: I'm not aware of any combined-cycle gas turbine operators, including cogeneration operators, who are very happy to be operating today. By and large, natural gas-powered electricity is on the margins. Over half the time in this province, it's the coal-fireds that set the price. Natural gas cogeneration—and a lot more than just the one you've mentioned—they're either actively considering shutting down or are in the process of minimizing their electricity generation to only produce the steam, which is a requirement for the location they're in.

Mr O'Toole: I would also refer you to the Washington bureau—

The Acting Chair: We're going to have to stop there, Mr O'Toole, and I apologize for that. I'm just trying to keep on time.

STAN PEJOVIC

The Acting Chair: Our next presenter is Mr Pejovic. Maybe you could introduce yourself for Hansard, please. You have 15 minutes.

Dr Stan Pejovic: Honourable members of the committee, ladies and gentlemen, my name is Stan Pejovic. I am a professor at the University of Toronto. I have been a professor at Ryerson University as well. My whole family is in Canada. I emigrated eight years ago. All my contracts in Canada have somehow been troubleshooting.

The title is Stability of Power Production and the Huge Economic and Social Consequences of Price and Price Variation. The motivation behind the revision is understandable. Its goals are laudable. Who wants more blackouts? But are these goals achievable? Can one create a climate of needed private investment?

There is another challenge that, if not addressed, the legislation will fail to reach its goals: stable power

delivery and stable power price. The power system must be overbuilt. There must be reserve capacity. As banks must carry credit reserves to avoid financial instability and runs, so our production must carry an operational reserve. This cannot be paid for in the same way as power consumed. If not put in place, the system will fail again and again.

Stability means spinning reserves and standby reserves. Reserve energy is not directly productive and thus cannot be charged in the way Bill 100 implies. Minimal spinning reserve equals uncontrolled drop off the biggest generator or the biggest power plant or power transmitted by uncertain transmission line. Without explicit consideration of production and spinning reserves, stability in the generation system cannot be achieved. Instability creates huge economic and social consequences. The worst is a blackout.

Cartoon: "The network went down and I lost my work."

"The server crashed."

"From now on, I want advanced notice of any unplanned outages, and I need it yesterday."

"I used to think that was just a figure of speech."

At the highest consumption, available power must be above demand. This means that all units must be ready.

Random cases: The IMO experienced technical problems on June 7. Demand was 21,000 megawatts. With a drop of a few hundred megawatts, generators made the energy price soar from seven cents up to 75 cents; that's the day of a sudden drop in energy. Market demand was about 20,000. Taxpayers and consumers have had to pay approximately \$15 million. On September 3 the price soared from three cents to \$1 per kilowatt hour. That's this critical day.

Natural outcome: Available resources cannot meet demand. Power shortages lead to blackouts. This happened, and the price soared from two cents to \$2 per kilowatt hour.

The Toronto Star published, "If out of province suppliers are informed ... when a big generator breaks down ... suppliers are likely to dramatically increase their offer prices into the Ontario market."

Some 3,000 megawatts of power were knocked out: chaos. Pre-dispatch price: \$8 per kilowatt hour. Dispatch price: \$3. Conclusion: Spinning no-load reserve is much cheaper.

Huge economic and social consequences: Producers and consumers are fundamentally at odds. This tension must be more explicitly balanced and accommodated in the wording of Bill 100. There must be ways of explicitly requiring and pricing a reserve in capacity.

What should be done? Overall, a full technical balance. Either sooner or later, a pure management attempt to find a solution to the power problem will fail. Setting the price is not the only issue. The current risks of a major failure in the supply system are already great.

Now about energy.

Fossil fuels are at the end. Oil: 10, 50, 100 years. At that time, our only sources will be renewable and nuclear

energy. We have to rely on known generators of power and invest in new technology, hoping that new energy sources will miraculously be discovered.

Experience: New generators must be continuously built, all the time. The 15 years of experience in Ontario have proven conclusively that one of the most expensive ways is not to build new power plants on time.

In the future, the Ontario electricity market has to be adapted as the power pool to eliminate any risk to investments in new power generation from any available sources.

Know-how: multidisciplinary transfer of experience and knowledge. Continuity has been lost. Canada has had more than 100 years of experience. Individual areas have lost accrued experience and knowledge. Multidisciplinary transfer must be planned and financed.

Up until now: too few experienced engineers and project managers, even knowing how to engage the right skills from the marketplace. **Accrued experience:** Pickering; some other power plants.

Stability means spinning no-load and standby generators.

Peakers have a huge role in stabilizing the electricity grid.

Hydro plants are the best solution all over the world. The price is low. Coal-fired generation has environmental impacts; nuclear generation has radiation. Gas-fired also has environmental impacts. Hydro has none of these.

Price per kilowatt investment: \$600 to \$3,000. **Price per kilowatt hour:** one cent to six cents in US dollars.

Reversible pump-turbine storage power plants are the solution all over Europe and other countries.

1520

Pumped hydro, I will just briefly mention. This is the list. For Canada it is nought. That's the list of 1,000 megawatt and larger pumped hydro installations worldwide. Canada should have been here.

Here I want to mention something about Germany. A few speakers mentioned windmills in Germany but nobody mentioned that Germany has a huge number of hydro and pumped-storage generators which can easily accumulate this wind energy and then produce when there is no wind.

Renewables—solar, biomass and wind: The impact on the overall power generation requirements for Ontario right now is negligible.

Transmission grid: A line to connect the various provincial grids would be of great benefit parallel to any other improvements.

Canada once built national railways and the St Lawrence Seaway. The next step, no doubt expensive, but also crucial and inevitable, is to create significant Canadian grid transmission lines.

Closing thoughts: Ontario needs spin no-load generators, standby generators and peak generators as soon as possible. I will not analyze what should be done. This is a list.

What is the role and power of OPG, IMO and OPA? We can list that here. Maybe you know some others. I concentrated on technical problems.

Who has had to point out and solve this electricity problem in the last 15 years: OPG; IMO; OPA? We are waiting for a new team.

I suggest a new, at least 30-minute presentation to discuss and analyze these issues. Thank you for your attention. I am ready to answer your questions.

The Acting Chair: Thank you very much. You have used up all your time for the presentation, so we won't have any time for questions.

Mrs Cansfield: Could we have one for clarification?

The Acting Chair: I'll allow a clarification question.

Mrs Cansfield: Can you tell me what a reversible pump-turbine storage power plant is?

Mr Pejovic: What it is? When the system has too much energy, and sometimes Ontario's system has a negative price and generators pay not to stop, because stopping production is very expensive and some power plants need two days to restart. We pump this energy into a hydraulic storage reservoir when the system gets too much energy and then this energy will cover peak energy. There is a huge number of such units operating all over the world. Ontario has only one and I think it's not using it in the proper way. That's in Niagara, Sir Adam Beck.

Mrs Cansfield: Now I know what it is.

The Acting Chair: Thank you very much, sir.

SIERRA LEGAL DEFENCE FUND

The Acting Chair: Our next presenters are from the Sierra Legal Defence Fund, and if you could just introduce yourselves for Hansard.

Mr Albert Koehl: Good afternoon. My name is Albert Koehl. I'm a lawyer with the Sierra Legal Defence Fund. I'm joined by Christine Elwell, who is also a lawyer and has been assisting us in the preparation of our submissions. She's also a former member of the Ontario Energy Board.

I want to talk to you this afternoon about power, but not mainly about electrical power. For a long time our electricity laws have been depriving citizens of real power. Bill 100 is a good framework, one that can and must be improved, for giving that power back to us.

First, we've been made powerless by the culture of supply. We consume and Big Brother provides. We're powerless to stop mega-projects, mega-debt, mega-pollution and mega-mistakes because our only role is to consume, and therefore from time to time to complain about prices even when they're artificially low. Last year's blackout helped us realize how dependent each of us has become on a lot of things over which we have absolutely no control.

We recommend that the culture of supply be replaced by one that gives each of us a meaningful part to play. This means putting energy conservation—small energy reductions multiplied millions of times—at the forefront,

while providing business and individuals with means, incentives and even requirements, through efficiency standards, to reduce consumption.

We recommend that minimum conservation targets be articulated in the act—say 5% by 2007. We support the recommendation of groups like the Pembina Institute to make the conservation bureau into an independent body reporting to the minister instead of simply being an afterthought to the Ontario Power Authority.

Second, nuclear power has made us powerless. We are powerless to protect ourselves from the risks of accident or sabotage, powerless to stop the cost overruns that are routine, and powerless to know what the real decommissioning or radioactive waste disposal costs and implications are. We're also made powerless because nuclear plants siphon billions of dollars from the public purse that could otherwise be dedicated to renewables that expose us to none of these risks. That is why we recommend that there be no further investment in nuclear power and that nuclear power be specifically excluded from the definition of alternative or cleaner energy sources under the act.

Third, coal-fired electricity makes us powerless. These plants emit millions of tonnes of contaminants like sulphur dioxide, greenhouse gases and mercury that make us victims by polluting our air, degrading our climate and contaminating our fish. How powerless must our aboriginal people feel when they expose their children to learning problems and neurological deficits by feeding them an otherwise healthy fish diet contaminated by mercury? This week, some experts have been saying, even before you finalize this act, that it is unrealistic to close our coal-fired plants by 2007. I always want to ask these experts whether this means it is realistic to continue poisoning our air, our water and our children. We recommend that this act clearly define a new reality. We recommend that the act articulate the desire of Ontarians and the promise of this government to close dirty coal-fired plants by 2007.

Fourth, hiding the real price of electricity makes the community powerless by preventing it from making prudent choices about consumption. Subsidies for electricity simply mean taxpayers in general subsidize consumers. Often it is the frugal subsidizing the frivolous. Debt financing for energy supply simply passes on the burden of our consumption habits to coming generations. And of course the real cost of electricity, especially if it is from coal-fired power, is hidden in one other place, and that is in the bodies of our children: in their lungs, their blood and their tissue. Therefore, we recommend that there be a real cost calculated and charged for all sources of electricity, by eliminating subsidies and by estimating and including in the price of electricity the health and environmental burden that each source creates.

Finally, the failure to promote and invest in renewables has left us powerless because it has deprived us of the opportunity to rely on an energy source which neither government nor big business can own: namely,

the wind and the sun. Therefore, we recommend you promote renewables by investing public funds, by guaranteeing a good price and by specifying in the legislation a specific target for renewables, such as the 5% by 2007 already mentioned by this government.

Our organization, the Sierra Legal Defence Fund, is committed to working with you to improve the proposed legislation—for instance, by providing specific amendments before August 26—so that real power will again rest in the hands of all Ontarians.

With that, I'll pass it over to Christine, who will give you some specifics about some of the recommendations we have.

Ms Christine Elwell: You, this committee, have the power to make some improvements to Bill 100 so we can get to where we need to go.

When the government put out an RFP for 300 megawatts of renewables, everyone was so pleased and surprised to see that over 4,000 megawatts were offered. This shows governments tend to underestimate what's out there. So the suggestion to have a renewables and conservation target, while important, ought not to be a cap; instead, we would suggest a minimum so that when you put out an RFP it's a minimum asking, not a maximum taking. All of these supplies, renewables and conservation initiatives ought to be accepted based on least-societal-cost analysis.

1530

What is a renewable energy source? The bill tried to make a clarification on this; however, it's still fairly vague and the words "cleaner energy source" are dangerously ambiguous. Our recommendation is to follow the EcoLogo standard of Environment Canada or its Ontario equivalent and have real criteria and indicators of what are renewable and clean energy sources.

The other area that's very important to emphasize is that in schedule B, section 11, of the Ontario Energy Board Act, it says that rates will be based on different situations. We would ask that the committee expand and clarify what you mean by different situations. This could be an opportunity to price energy by its different sources and therefore achieve your government's objective to have consumers pay full cost. You've heard a variety of costs attributed to different energy sources: coal at this amount, wind at this amount.

We would entreat the bill to specify that different situations in setting rates would reflect different energy sources and therefore different costs. The societal externalities of coal and nuclear could be monetized, for example, and factored into the rate. The societal benefits of local distributed generation could take into account the economic benefits to the local community and provide renewable advanced tariffs that reflect those rates. But right now the language in the bill is not clear and requires further clarification.

Another important point in this regard is to look at how conservation and renewables will be put out into the Ontario system. You've heard testimony from a number of persons today that the conservation bureau ought not

to be a second sister to an OPA whose main mandate is supply. Therefore, we support the view that this should be an independent entity that would be able to have a real and equal role in the system.

With respect to governance, the OPA and the conservation bureau are required to do various reporting, system planning and business reports. Unfortunately, the way it's structured in the bill right now, these reports go to the minister and then to the OEB before the public would have any input. We would ask for an alignment of the dates so the public has an opportunity to respond to these important planning and business documents before they are approved.

Within the context of integrated system planning, I note in particular that the minister can give directions in terms of the system mix. But right now in section 25 it says the minister "may issue directives" about closing the coal plants or "may issue directives" about renewables and conservation. We would entreat you to use stronger language: "shall close," "shall mandate."

I would add one cautionary note. There are references to the dissolution of the OPA and the ISO in the future. This sends a red flag to NAFTA investors. Already you may have increased their expectations that these assets will be sold. I would suggest that you hedge your bets and take that language out of the bill now so that you don't raise expectations that may be the source of a NAFTA claim in the future.

Finally, as you've heard from many today, it's very important that the OEB retain and actually improve and enhance its role and mandate on energy efficiency and renewables. I can tell you from my time, when I was there, that there is not a culture of conservation; there is not a culture in support of renewables. In fact, there is some hostility, because they see themselves as a supply-oriented body. Rather than giving conflicting or overlapping or duplicating messages, as one member of the committee suggested, what you're doing by increasing or fulfilling or strengthening the OEB's mandate is adding a consistency of messaging. I don't believe you would be overlapping mandates. If you don't improve the language on the OEB role, that will actually be used against those programs. They'll say, "Oh, they took it away; therefore we're not supposed to care about it very much." So I would really entreat you to include that mandate in the OEB.

With our remaining time, we'd be pleased to take any questions you may have.

The Acting Chair: Thank you very much. We do have time to allow each party to ask one question. I'll start with the government.

Mr McMeekin: I really appreciate not just the affirmation of the initial intent of the bill but the very specific operational points you make. I think it's helpful, because we've been doing a lot talking around how you access the grid and how governments intervene or don't intervene. It's a big political debate: Some believe government shouldn't intervene at all and others believe

government should be almost entirely interventionist. I think the bill is trying to find some sort of balance there.

You've indicated a willingness to work with the government on some of the specifics. I think we'd like to take you up on that. Maybe we could have some conversation a little later.

In the overall context, would it be fair to say that you're feeling positive about the bill and the direction but you think it really needs some sharpening up and that you're prepared to work with the government in that regard?

Mr Koehl: That's exactly it.

Mr McMeekin: OK. Thanks.

The Acting Chair: Mr O'Toole?

Mr O'Toole: Thank you very much for your presentation. I was looking for a comment made by one of the presenters earlier today that differed on the emission issues of clean coal and natural gas. I believe, as a layperson—you do this for a living—that all energy creates waste: hydro—all of it. In your response, you might want to name one that doesn't have an environmental side effect.

But I would also want to put on the record—I don't know who appointed you to the Ontario Energy Board or who removed you—that our government gave the mandate to the Ontario Energy Board for energy efficiency, conservation and renewables. I want that to be on the record; it's a permanent record—and also alternative fuels and setting up the conservation supply task force, which I think serves as a good reference point. The conservation culture—I don't think anyone here would disagree with that.

I question the genuine ability, not the desirability, to deliver on elimination of coal and natural gas, which is probably about 70% of our supply base. Could you comment on the general conflicts that I've raised to your attention?

Mr Koehl: I'll let Christine comment, but the first comment is that we haven't even started trying to conserve or to supply renewables. So before we even start to admit defeat in something which I have said—

Mr O'Toole: I'm not admitting defeat.

Mr Koehl: And exactly what this bill is attempting to do is set in motion all the pent up opportunity for renewables, all the pent up desire to conserve for which we haven't had the legislative framework. We believe that once we set that in motion—and this bill is a good framework to do that—then the momentum can be created and move forward from that. I'll let Christine add to that.

Ms Elwell: I think that summarizes it exactly. This bill is enabling of a culture that will allow us to close the coal plants and the nuclear plants, use gas sparingly as a transitional fuel and then move forward. We saw with the blackout the willingness of the Ontario people to pull together.

Mr O'Toole: No Ontario people conserved—none. It was all—

The Acting Chair: Mr O'Toole, let her finish, please. Thank you, sir.

Ms Elwell: I think the intent of the bill is here, and now we need to sharpen it up and move forward.

Mr O'Toole: You should read schedule A. It allows them to redefine renewable alternative energy sources. In two submissions today they've admitted that it would allow them to redefine clean coal and nuclear as alternatives. It's in the bill. Three presenters today—

Interjection.

Mr O'Toole: It's not a lecture. I'm just pointing out for the record—

The Acting Chair: OK. I'm going to stop it right there. I'm going to allow Mr Hampton his time to speak. Mr Hampton, would you go ahead and ask your question, please.

1540

Mr Hampton: My question is: We've heard today from a number of people who believe that our primary objective over the next few years should be to pursue energy efficiency aggressively, that energy efficiency is in fact where we can achieve the greatest gains with the greatest cost-effectiveness, measured broadly in terms of the environment and in financial terms.

You haven't said much about that here. I think you've alluded to it. I was wondering what your views are on that subject.

Ms Elwell: I would support the Canadian Energy Efficiency Alliance's submission to you, as well as Jack Gibbons, in that you need to enable the energy board, in setting rates, to make it profitable to conserve. If you want to get technical, you allow for a lost adjustment revenue mechanism.

The gas companies make money on doing DSM because the rate structure is designed to make it profitable. For every dollar consumers in Ontario spend on DSM programs, they save \$20. What we need is enabling legislation to allow this goodness out there to come forward and make it profitable, create lots of jobs and not be captive to a culture of supply when we need to move to a culture of conservation.

Mr Hampton: Just one other question, and I get in on this because it's something that's thrown back and forth across the space here. We hear all kinds of predictions about natural gas. We hear predictions about the price of natural gas, we hear predictions about declining access to natural gas etc. Has your organization done any studies, do you have any views, do you have any information?

Ms Elwell: You heard wildly different numbers today: from 80 years of supply to eight years of supply. I think your message here is that it's very volatile. You wouldn't want to put all your eggs in the gas basket. No new big gas plants would probably be wise. You have the tools before you now. We've got good wind and we've got small hydro, and solar has been untapped. Conservation is key—that's 40% reduction by 2020. So why don't we use the tools we naturally have rather than importing high-impact gas from Alberta or offshore for new plants that are going to be pricey, for sure.

Mr Koehl: Underlying all that, what we do want to see over the long term, as opposed to the transition

period—there has to be a fundamental commitment to the reduction of greenhouse gases. That's why, in the long term, moving to renewables is really the way to implement the Kyoto protocol. We would like to see some reference in the act itself to the Kyoto protocol as a fundamental or underlying principle.

The Acting Chair: Thank you very much.

Mr O'Toole: Chair, while we're changing guests here, I'd like to put on the record an article from the National Post this morning that says, "The conservation aspect of the blackout was the most overstated event in electrical history in Ontario." Residential consumers made no reduction in consumption.

The Acting Chair: OK, that's on the record.

Interjection.

Mr O'Toole: The analysis was done afterwards.

The Acting Chair: That's on the record. Does anybody else want to put anything on the record while we're waiting for the next speaker?

Mrs Cansfield: I think Mr Hampton needs to know that in fact the information on gas volatility is coming. He wasn't here for part of that. Mr O'Toole has asked for some information, so Mr Hampton should be made aware of that.

The Acting Chair: Mr Hampton, I think that when Marilyn was subbing for you, Mr O'Toole asked the research department to do some research specific to the question you asked about supply. There's a report coming back. I just wanted that brought to your attention.

Mr Hampton: I don't want to miss the opportunity to ask the people who are knowledgeable.

CONSUMERS COUNCIL OF CANADA

The Acting Chair: The next presenters are from the Consumers Council of Canada. Could you please introduce yourselves?

Dr Peter Dyne: I am Peter Dyne, chairman of the energy committee of the Consumers Council of Canada. With me, I have Julie Girvan, who is the energy adviser to the council, and Mike Lio, the executive director of the council.

The Acting Chair: Welcome.

Dr Dyne: The consumers' council is an independent, non-profit consumer organization whose vision is an equitable and efficient marketplace for consumers. The council works collaboratively with consumers, business and government in support of consumers' rights and responsibilities to provide a consumer perspective. The council is also an active intervener in the Ontario Energy Board hearings.

The consumers' council has examined Bill 100 in the context of Minister Duncan's observation that the bill reflected a plan which included a strong public leadership role, clear accountability and a coordinated planning approach. That's where we start. We also examined Bill 100 in the context of eight international consumer rights: right to basic needs, right to information, right to education, right of representation, right to choice and the

right to redress. You will see that, as you go through what I have to say, our comments reflect that.

The council's criticism of the previous Electricity Act was that it contained no provisions for the planning of the future supply system. What happened with respect to future supply was determined by the private sector alone.

The consumers' council welcomes Bill 100, as it presents a framework that is intended to address supply issues through the establishment of the Ontario Power Authority, which will be responsible for planning new generation. The bill also recognizes the importance of consumers in paying the true cost of electricity and the long-term value of developing an effective competitive market.

We support a centralized approach to conservation and demand-side management, and therefore welcome the proposal to establish the conservation bureau, which is intended to provide leadership and planning in conservation.

Our primary concerns with Bill 100 centre around the lack of clear accountability in supply planning decisions and the lack of specificity on how these decisions will be made. So we are commenting on the bill.

One of the principal objectives of Bill 100 is consumer protection. The minister has made consumer protection the central focus of the Ontario Energy Board's mandate. That is in the act, which you have before you. We hope that the OEB will focus its efforts to fulfill this mandate. Recent initiatives by the OEB, to which we have been exposed, appear to be contrary to the enhancement of consumer protection. We are hoping that this will change.

The consumers' council supports the enhancement of consumer protection but also recognizes that consumers should be paying the true cost of power, which reflects the full cost of producing and delivering electricity. But this true cost must be a fair cost and must be seen to be fair.

Consumer protection, in our view, is enhanced if consumers can participate effectively in the decisions that affect electricity rates and services. We note that one of the proposed amendments to the OEB Act states that, "The board may order a person to pay all or part of another person's costs in a proceeding or process." This is a welcome change, in our view, but I wish I knew what it meant.

We recommend, however, that the act be more specific on this point and that criteria of cost awards be set out explicitly. In our view, all processes that affect rates should be accessible to consumer groups through cost awards. The consumers' council recommends that the act should be revised to make this provision explicit.

The council's principal concern with Bill 100 is that accountability for planning decisions is not clearly defined because three institutions and three bureaucracies are separately involved. First, the OPA has the power to enter into contracts relating to the procurement of electricity supply as part of an integrated plan. Economic prudence and cost-effectiveness must be key criteria in selecting these contracts. Second, the act says that the

OEB does this again, reviewing each plan to ensure that it is economically prudent and cost-effective. Third, the Ministry of Energy requires that all decisions are consistent with Ontario government policies, which I would suppose have been developed in the context of economic prudence and cost-effectiveness.

1550

Now in this set of layered decision-making and approval processes, there are risks of contradictory decisions, diffuse accountability and added costs. The council recommends that the bill be amended to redefine, if not delete, the energy board's role in reviewing the OPA's long-term plans and its procurement processes. The Ontario Energy Board should only be reviewing decisions of the OPA which have direct rate-making implications.

To the extent that the OEB is going to undertake these reviews, there is nothing currently in the act as to how these reviews are to be conducted. The act should also be amended to require that, where the OEB is exercising its approval powers, it be required to hold a hearing with stakeholder participation. All consumer costs must be fair and must be seen to be fair.

In camera proceedings are unacceptable, and the confidentiality provisions of this act should be clarified. While the OPA's negotiations with a potential supplier may be reasonably protected under commercial confidentiality, the terms and conditions of the final contract must be fully aired in the public domain. Once again, they must be seen to be fair.

To repeat, who is responsible for long-term planning? Is it the OPA or the minister or the OEB? If every decision based on economic efficiency is to be reviewed by the OEB and the minister, what is the OPA responsible for? These concerns—the role and accountability of the OEB and the OPA—suggest that a detailed review of the act is needed. Currently, it does not provide the clear accountability required by the minister.

To part from the text, the act requires major surgery. The act says, "The board shall review each integrated power system plan submitted by the OPA to ensure it complies with any directions issued by the minister and is economically prudent and cost-effective." Turn back the page and it says, "Minister's directives," including "the phasing out of coal-fired generation." There are coy words in this, but essentially, as far as I'm concerned, this says that the prudence and cost-effectiveness of phasing out coal cannot be discussed. You'd better clear that one up.

On the business of the phase-out of coal, I agree that we should not be burning coal the way we are now doing it. I have no argument with that. But the question about the availability of natural gas is a serious question. I would draw your attention to the geological surveys report on energy supply and demand trends and forecasts by David Hughes. I came to the conclusion that it is not economically prudent to go all the way on natural gas. With that, the act requires major surgery to clear up all

those things. The council's written brief will be providing specific recommendations on that.

The OPA will include a conservation bureau and a chief conservation officer to provide planning and co-ordination in conservation. The consumers' council applauds this initiative. It represents the first time that conservation is being considered in the same breath as supply. Also, we have continually advocated for a centralized approach to conservation in Ontario.

The act should require that the conservation bureau work closely with consumer groups and other stakeholders, including LDCs, in order to provide consistency in program development and messaging across the province. We also see value in including natural gas demand-side management initiatives as part of the bureau's mandate.

Consumers must recognize their own critical role in demand management and be willing to change their attitudes toward consumption. This is going to be essential if we're going to create a conservation culture in Ontario. If the government expects that of Ontario consumers, it must demonstrate that its own planning structure is cost-effective and accountable. It must also guarantee that consumers have a meaningful role in the decision-making processes.

Although we support the establishment of the conservation bureau, exactly how it will carry out its mandate is not clear. In addition, it's unclear as to what type of budget will be required. We believe it is essential that the bureau consider the most cost-effective ways to implement demand management in Ontario. Initiatives must be subject to rigorous screening methods and results subject to rigorous monitoring, evaluation and audit processes. Ontario consumers cannot afford to have money wasted on programs and initiatives that will have no effect.

We have previously expressed our concern about the \$225 million that has been earmarked for LDC DSM initiatives. Without centralized direction as to how that money should be spent, we expect duplication and waste will certainly occur. I know from personal experience in the federal government that it is very difficult to spend \$100 million at all through many agencies, let alone to do it intelligently and cost-effectively.

We urge the government to clearly indicate how it intends the bureau to carry out its mandate. We also see a need to clarify the role of the OEB in demand-side management in the light of the establishment of this new entity.

To repeat, the bill needs extensive surgery. We will be following up with a detailed set of recommendations in appropriate legal language, which you will get on the 26th.

The Acting Chair: Thank you very much. We do have some time. If everybody asks their questions directly, we'll have time for each party to have a chance to speak. We'll start with Mr O'Toole.

Mr O'Toole: You made one reference to a report. I wonder if you could get us a copy of that report.

Dr Dyne: I can't give you a copy. It is Open File/Geological Survey of Canada, 1798. We have drawn the attention of the minister to this report but have had no reply.

Mr O'Toole: I've seen that report. We're just doing a thing on natural gas.

I would say the issue here is true cost. You did mention "true cost," "fair cost," "not only be done but seen to be done," that kind of language; I completely agree with you. Do you believe we've ever operated in Ontario with a true cost—ever, right since Sir Adam Beck—with power at cost? Please explain the \$28-billion debt. We have never, ever had power at cost and we never will.

Dr Dyne: Your point is well taken. The problem with the \$28-billion debt is the responsibility of the government who hid it from consumers.

Mr O'Toole: All governments, yes. That's not a political statement. I'm just saying we've never paid it—all governments, if you knew anything about it. I say that quite guardedly because I know it's a complex topic.

The point I'm trying to make is, have you done any polls, as a consumer advocacy group, to indicate what people's threshold of tolerance is for true cost? I say that because during the election they knew it was a hot-button issue. They voted for the 4.3-cent power—

The Acting Chair: Mr O'Toole, just ask the question.

Mr O'Toole: I'm asking—

The Acting Chair: I'm just trying to give everybody a chance to ask a question.

Mr O'Toole: Please don't interrupt, Chair. I am asking a question. You're just not listening.

My question to you is this: They are complaining to me now that 5.3-cent power—and the mining sectors presented it with a 50%-increase forecast. They do not want to pay any more for electricity. You are consumer protection. What do you think is a fair price? You say the true cost; the real cost.

Dr Dyne: I do not know the cost.

Mr O'Toole: Could you find that out for us?

Dr Dyne: No. I am telling you that the cost of electricity will be much greater than it now is, period.

Mr O'Toole: How much?

Dr Dyne: I do not know; nobody knows.

Mr O'Toole: Fifty per cent? Are you prepared to keep the lights on or turn them off?

Dr Dyne: We will have to turn them off when the price gets to \$1 a kilowatt hour.

The Acting Chair: Mr Hampton.

Mr Hampton: In a number of places in your brief you're almost pleading with the government to bring some clarity of responsibility. You point out that the OEB, the power authority and perhaps the minister or other entities all seem to have authority or responsibility in a given area.

Dr Dyne: As the act is written, yes.

1600

Mr Hampton: Let me ask you specifically, how would you divide up the responsibilities? That's a ques-

tion I've asked a few people today, because I actually believe there's even more duplication than that. If on the one hand you're saying that all power will be produced by private sector companies now, that implies private sector bureaucracies, yet you're going to have multiple bureaucracies on the public side as well. I just wonder, on the narrower question of how you would divide up the responsibilities, what's your answer on the bigger question of how you avoid some of this growing bureaucratic overlap?

Dr Dyne: First of all, as I read the act, what it really says is that the minister is the planner. If that's the case, that's fine by me, but he has to stand up in the House and say that.

On your other question on how we divide up this responsibility, you've posed me the question which I've been lying awake thinking about and I have not got a clear answer. But knowing Robert Warren, our lawyer, I know you will get a set of clear answers, which you may or may not like.

Mrs Cansfield: Your presentation was excellent. Michael and I have this thing about Canadian Tire language, about trying to make things clearer for people to understand. We call it our Canadian Tire language for consumers.

I welcome the opportunity that you're going to present in that you actually are going to give us another, more fulsome report.

Dr Dyne: That's what this is about; yes.

Mrs Cansfield: Right. In that, I'm hoping you will also identify those barriers; will you, please? We may have missed some.

Ms Julie Girvan: The ones with respect to the OEB? Is that what you're talking about? Yes, we'll explicitly identify those.

Dr Dyne: You will get that.

Mrs Cansfield: Thank you very much. I'm looking forward to that.

GREEN ENERGY COALITION

The Acting Chair: Our next presentation is by Green Energy Coalition. Welcome, David. Just introduce yourself.

Mr David Poch: I'm David Poch. I'm counsel for the Green Energy Coalition. I believe that my presentation exists here somewhere. A lot of what I would like to touch on has been said today, so I'll be jumping through my slides. I hope you have a copy. I've provided the clerk with a script that I'll be deviating from wildly.

Let me first indicate that the Green Energy Coalition is comprised of the David Suzuki Foundation, the Energy Action Council of Toronto, Greenpeace Canada and the Sierra Club of Canada. We're an umbrella group formed primarily to function as a joint intervening group before the Ontario Energy Board—we have done so for many years—and in policy discussions such as this, primarily on energy in Ontario.

You've already heard from Greenpeace. Mr Martin has given you some background information on the nuclear costs. Let me just say that the GEC as a group endorses that. Mr Martin has provided you with a clause-by-clause analysis that I assisted him with which looks at some of the specific sections of Bill 100 and makes some specific suggestions. I won't take you through in that level of detail, but would just note that the GEC also endorses that. DSF, the David Suzuki Foundation, has talked to you about some of the policy approaches that have worked generally, and we are similarly in agreement. My job is to give a little more focused comment on some of the particular problems with Bill 100 and the particular context in Ontario.

Let me start by quickly taking you to four slides that Ralph Torrie, a well-known energy analyst in Ontario, has been kind enough to provide me, just to put this into a little context, because a lot of what you have heard today is about how important energy efficiency and energy conservation are, yet again and again I hear the discussion moving to the price of natural gas and what we're going to do about the supply problem, and can we really phase out coal and can we really phase out nuclear? I think what is perhaps hidden is the extent to which energy efficiency can play and indeed already is playing a huge role. It is the big term in the equation.

Very quickly, and this is ancient history, 1958 through 1974 in Ontario: You see here the three lines. The green line is the gross provincial product for Ontario, rising through that period. What you see is generally the red line, which is energy other than electricity, going up with the GPP, fuelling the GPP, and electricity growing even faster. This was the "Live better electrically" era, as you may recall. We were switching to electricity.

On the next slide you see the following period, 1974 to 1993, and we had that decoupling for energy—not for electricity, but for other energy forms. We learned to get more efficient. Our cars became more efficient; our furnaces became more efficient. We see that GPP generally rose through that period, but energy use pretty much stabilized. Electricity, in lockstep, went up with GPP. I remember being at hearings into Ontario Hydro's 25-year supply plan, and people like the Canadian Nuclear Association would come forward and say, "You can't have economic growth without more electricity supply." This was their proof.

Well, thereafter we see what happened. GPP in Ontario over the decade, roughly, shown on this graph, 1993 to 2002, has gone up 50%, but electricity, along with the other energy forms, is just very slowly rising. We have already uncoupled energy consumption, electricity consumption, from growth in economic output. So we can have welfare without growth in supply and consumption, and it's vital that you realize, as I think the next graph makes perfectly clear, that that increase in the economy that has been fuelled without an increase in supply has been met with increased electricity productivity. That term swamps all the other terms; it's three times bigger than the loss in nuclear productivity that

we've all witnessed. So it's a huge term and it's not to be underestimated, and that really informs our comments about the bill. We want to see the energy conservation aspects amplified in this bill, in both the structure of the institutions and the mandates of the institutions, and we'd like to see a little less left for regulation, a little more stated upfront in the legislation as the marching orders for these organizations.

I won't take you through the details of this slide. I think you've heard already from Pembina the kinds of numbers we're talking about. Similarly, you've heard from a number of organizations about the scope for things like wind. I'd just point out that the 14,600 number for Germany is already out of date; 15,300 is the latest number that I've got. These are huge numbers. But when we get to what's actually happening on the ground in Ontario, we're a bit perplexed. We applauded the RFP for renewable power, 300 megawatts. You've heard that 4,400 megawatts were bid. We're not sure where the 300 came from, frankly. We're not sure why you'd want to limit it to 300. What we'd like to suggest for the future is that we should be going after all of the renewable and all of the energy efficiency that is societally cost-effective. There's no need to arbitrarily cap it. I'll get to what "societally cost-effective" means in a moment.

1610

We are thrilled by the government's commitment to eliminate coal in Ontario by 2007. We think you can certainly do it. We're dismayed, startled and frankly shocked that the government is in the midst of throwing another \$1 billion down the nuclear sinkhole. We don't understand it. Ralph Torrie, who provided those slides, likens it to a gambling addict who keeps betting on the same horse, keeps losing, and then says, "Gee, maybe if I throw the last of my life savings on this, I'll win it all back." We have to start learning from our mistakes. I think we're really dismayed to see what's going on with further investment in technology that has proven to perform incredibly poorly and incredibly expensively. So if we're after higher electricity rates and flickering lights, then that's on the right path, but I know you're not. I know all the parties share the goal of avoiding that, and so we'd really like to see no further commitments in that regard. Those commitments inevitably compete for the public investment that needs to be made in friendlier alternatives.

We saw a good step with the directive, pursuant to Bill 4, to the OEB to have the LDCs be able to spend that third tranche, actually, of equity money owed to them, contingent on them investing it in energy efficiency. But then the OEB's guidelines to implement the minister's directive came out just a few weeks ago, and the OEB has more than dropped the ball.

I bring this up because I know there's been a discussion already today about what the right role is for the OEB. I practised law in front of that board for about 15 years, and I can tell you that they are very meek on the topic of conservation, that unless there's either unanimous consent from everybody in front of them, as there

was to get the Enbridge accounts in place so Enbridge has a positive incentive for conservation, or the government is explicit with them, they will shirk that responsibility. So I urge you to rethink the point about what their mandate should say. They will read the retreat from the word "promotion" much more loudly than you intended, I hear.

You heard from Jack Gibbons already this morning that they've left in place the major disincentive to utilities to engage in conservation. I frankly don't understand how they can justify that. We would urge the government to insist, to use its existing powers, even before this act is finalized. Under the existing laws, the government has lots of tools to insist that the OEB do the job and do it quickly. The latest rumours I'm hearing are that the next steps from the OEB on conservation aren't going to be in place until March 2006. You're not going to phase out coal by 2007 with a board that's dragging its feet like that. I think you have to get on their back.

Turning to the bill itself, I'm going to be very quick here and just cover the highlights of our points. I've provided written material. On the OPA mandate, we say that you need to be more explicit. You need to value the societal benefits that alternatives bring you, benefits like increased reliability, diversity, price security, reduced environmental impacts, reduced health impacts, increased community development, job creation, reduced transmission costs, reduced risk and reduced peak losses. All of these are benefits that dispersed renewables bring you and that conservation brings you—conservation even more so. Unless the legislation specifies to both OPA and the OEB, in reviewing the OPA plans or budget, that, "You shall value these things," rest assured they will get short shrift. That's the history we have seen again and again.

Our advice is, make explicit the values which I believe most of you in this room share, that these are all important considerations. They ought to be counted. Indeed, they should be monetized, if there is a method to do so. We would say, make that explicit.

There are two approaches I've suggested here. The bottom one I've just spoken of, which is to set the rules for them; that is, minimize societal cost, broadly defined. Or else just tell them, "You've got a deadline for phasing out these ugly things." You can do both, in fact. Ideally, you would do both. But as it stands the bill does neither, and we're a bit in the dark as to what the regulations will do.

The conservation bureau right now is nested inside the OPA, and we've tried that. That was Ontario Hydro. It had a conservation group in it. Let me be very frank. My constituency in major environmental groups—old lefties are perhaps overrepresented in our ranks but Ontario Hydro kind of weaned us off the model that just because it's public, it's going to be good. You can have good or bad public power; you can have good or bad private power. I think the bill needs to be very clear that you want the good stuff. You don't want conservation and renewables to be the poor sibling of supply.

The scenario you get, and we saw this with Hydro, is that the engineers are going to do their load forecast, they're going to see this gap between the supply and where they see the economy and demand going—conservation is a million little things. It's hard for an engineer to get a fix on; much better to plan that next big plant. Politicians, to be fair to you—or not fair to you. I know you enjoy cutting ribbons. It's a tangible thing. Once you've committed to that, of course you're not going to go and flog conservation because you'll be undermining the economics of the investment, the long-term commitment you've made to expand supply. That's what we saw in the 1970s and 1980s with Hydro. The supply investments become self-fulfilling prophecies.

We suggest that you actually separate the conservation bureau from the supply authority, but at the very least make its mandate a lot clearer. I come back to this notion of a societal cost test. Put it in the legislation. Say that they must value societal costs, not simply lowest rates. As you've heard, you can have higher rates and lower bills with the right mix of conservation.

You've heard again and again today about this question of the OEB's mandate and the retreat from the word "promotion." I'm not suggesting the OEB should be planning conservation strategies here so we have that kind of duplication, or planning supply strategies. But the OEB should be reviewing the conservation and supply strategies that the OPA or the conservation bureau or both have cooked up and that the LDCs, in co-operation with the conservation bureau, have cooked up. That's what public accountability is. It's a public airing and a public testing. That's what goes on now with the gas utilities. The OEB doesn't get down to planning the individual conservation programs; the utilities do it. They have this nice little consultative process where they include a few stakeholders to get some input and then they come before the board with an overall plan, and at the end of the day their results get audited and the audit goes before the board before they get their reward. The board only hears about particular programs if there's some contention about, did they really perform, was it a waste of money, that sort of thing. So it need not be duplication.

The other problem we've seen at the Ontario Energy Board is that they've been retreating from the public hearing mode, and it's only in public hearings that intervenors like my clients get to be there, test the goings-on, see the goings-on and have the chance, at least, of getting our reasonable costs awarded. With the consultative mode that the OEB has been getting into, the rich parties get to play ball and we're kind of sidelined.

I would just say this: We'd like to see more explicit values in the legislation rather than left to regulation, otherwise you risk reinjecting the politicization, which I know is the stated intent of the government to avoid. The government should not be setting goals for renewables and efficiency; it should be setting minimums. If you say it's a goal, for people like the OEB and probably the OPA it's going to become a maximum. That's just a wording point but I think it may be a very important one.

With that, finally, on the question of rate levels and subsidization, we're going to pay for it one way or the other. We're paying for it in health costs; we're paying for it in nuclear debt and non-performance. We're faced with raising our electricity costs one way or the other. Let's just acknowledge that and at least get the nice stuff for the price. Thank you.

The Acting Chair: Thank you very much. You've used all your time. We appreciate your appearing before the committee.

Mr Poch: Thanks for the opportunity.

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INTERNATIONAL INSTITUTE OF CONCERN FOR PUBLIC HEALTH

The Acting Chair: I call on Marion Odell, who is with the International Institute of Concern for Public Health. Welcome, Marion. You have 15 minutes. If you use it all up, there will be no opportunity for any questions, so I leave it to your discretion.

Ms Marion Odell: Thank you for this opportunity to speak to Bill 100. I'm the vice-president of the International Institute of Concern for Public Health. We're based here in Toronto and we work in a number of different countries around the world. We also work here in Ontario.

We're a non-profit organization founded in 1984. Rosalie Bertell, a biometrician and epidemiologist, and Professor Ursula Franklin, were among the founders of our organization. Dr Bertell is the immediate past president of our organization and is still active, although she is now retired.

We carry out our work by providing independent scientific information on environmental health issues and we present this to individuals, groups and government. Since Dr Bertell is considered one of the leading experts on the health effects of low-level radiation, that is the major thrust of our addressing Bill 100.

There's no free lunch. That's what we say when we mean that there are consequences to the things we do. There are indeed serious health consequences to the decision that was made many years ago to build coal-fired electricity generating plants, although I feel that the people back then didn't really recognize the extent to which this was going to affect future generations. Maybe they were in ignorance of the health effects, or maybe they knew that some people would be affected but that it was an acceptable risk-benefit trade-off. Maybe they were worried about losing jobs in the coal industry. Certainly, there wasn't the awareness of the effects that would happen.

There has recently been a study reported by the lead author Dr Teresa To, a senior scientist at the Institute for Clinical Evaluative Sciences and with the Hospital for Sick Children, where they found an alarming increase in childhood asthma. In the past five years it has increased by an alarming 35%. Over the five years of the study, children with asthma were responsible for health care

expenses of 5.42 million OHIP dollars compared to \$1.7 million spent on non-asthma children. This money includes only outpatient care, physicians' visits and diagnostic tests. Hospitalization or drugs are not included. In 1999, some 9,000 children were hospitalized for asthma.

I believe that the people of Ontario are very pleased about the phase-out of coal-fired plants by 2007 and I feel this will come none too soon. Congratulations to the government on this move to improve air quality. Hopefully it will happen before 2007.

The question is, have we learned anything from this experience? Is the government now willing to look at the facts surrounding the health impacts of nuclear power plants and act to phase them out also? So far, this does not look promising, as Ontario Energy Minister Dwight Duncan has already approved the restart of a second reactor at Pickering A. The July estimate for the restart was \$900 million, approximately double the estimate made by John Manley in March. The history of nuclear power generation has been a litany of cost overruns, let alone the initial cost of building the plants in the first place or the cost of dealing with nuclear waste now and for future generations.

I see some difficulties with the structure proposed in Bill 100. One has to do with the decision-making process, another with the knowledge base of the decision-makers. Although there might be difficulty caused by looking after conservation and power generation in the same structure, this is not as important as having the right people take part in the decision-making process, whether part of the structure or part of the government. The people who are a part of the structure must be knowledgeable about the health effects from the emissions of ionizing radiation from power plants into air, water and through solid waste. It is imperative that there are epidemiologists and medical doctors who understand the present flawed standards for radiation exposure and the resulting health effects.

What is wrong with the present emission standards? The emission standards followed by Canada are set by the International Commission on Radiological Protection, the ICRP. According to Dr Bertell's research, reflected in our article on our Web site—"Can ICRP be Trusted to Set Radiation Exposure Standards?"—the ICRP is a self-constituted organization. By their rules, the main committee responsible for all decision-making will never include an epidemiologist, occupational health specialist, public health specialist, oncologist or paediatrician. One can say that it considers only the users of radiation and administrative regulators.

Since 1952 the ICRP has perpetuated itself, with current members nominating new members. They have not mandated themselves to be protectors of workers or of public health, but rather to recommend sensible trade-offs of health for the benefits of their activities.

Dr Bertell says, "For the initial research into the effects of ionizing radiation, they used survivors who had been exposed to high doses of radiation. For example, they used Hiroshima and Nagasaki survivors and people who had received high doses for cancer. They calculated

how much radiation people had received and whether or not there were more cancers.... As they moved down to lower doses, they discovered lower numbers of cancers. When they got down to 10 or 5 rad, the resulting cancers were so low they said they could not distinguish the results from radiation from spontaneous cancers in the population. They stopped the study at that point and guessed at what the response would be in the low-dose areas."

Dr Bertell states, "Those of us scientists who studied low doses were finding more cancers than would have been expected using the Hiroshima/Nagasaki model. We were accused of being poor scientists or liars. Now that the research has opened up, and more nuclear scientists are studying low doses, we have a better picture of what is happening. But it is a strange curve on a graph. At the very low doses, when the first radiation hits a person, you see an increase in the dose effect, which is usually taken as cancer death, and then there occurs an increase up to a point where the person's ability to repair the damage, their repair mechanism, kicks in, then the curve goes down. But it only goes down to a certain point, where the damage from the radiation overcomes the repair mechanism, then it starts to go up again. This is called a biphasic curve. You can take a point at a very low dose and you will see the cancer rate increasing and you might move over to a much higher dose and see the same level of cancer death." In other words, you can have low dose radiation perhaps over a period of time and end up with the same effect as if you'd had a higher dose, above 10 rad.

"This means that you get the same effect at the low dose as you get at the higher dose. It has been very difficult to understand why this happens at the scientific level. We know now that there are mechanisms at the low dose that do not work at the higher dose. Many people have suffered at the low-dose exposure because so many thought it was safe."

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Cancer is only the tip of the iceberg as far as the effects of low-dose radiation are concerned. There are many others: sterility, miscarriage, birth deformities, benign tumours, hypothyroid and premature aging.

Another factor that enters into the lack of recognition of the effects on health of low-dose radiation is that standards are based on the health of the standard man, 30 years old, Caucasian, healthy. Risk has to be adjusted for human variation. It will be different for a baby or a fetus still in utero or a woman or the elderly. Their susceptibility will be different from that of the standard man. There is no way you can set a standard that will work for everybody. That's simply common sense.

A new source of advice on the health effects of ionizing radiation has been published by the European Committee on Radiation Risk, or the ECRR. It presents a more up-to-date model for calculating health risks of exposure to ionizing radiation. Unlike the ICRP, the ECRR—

The Acting Chair: Marion, you have one minute left.

Ms Odell: OK—uses evidence from the most recent research, and they consider the present risk model of the ICRP essentially flawed.

The recommendations that we would like to make are:

Bill 100 should not only include the promise to phase out fossil-fuel power generation by 2007, but should also set an early target for the phase-out of nuclear electricity power generation, such as 2010.

The authority should have a majority on their committee of those who will speak to the public interest, such as epidemiologists and scientists, independent of industry and government, knowledgeable about nuclear radiation and renewable energy, and others not connected to government or the nuclear industry.

The authority should have, as part of their mandate, recommendations for the phase-in of renewable energy sources.

The authority must abandon the ICRP standards and recognize that there is no safe level of nuclear radiation for the general population.

The authority should conduct their deliberations in a transparent fashion. Being a part of the process can be a foil to the vested interests who will not want to see changes to the status quo.

The Acting Chair: Thank you very much, Marion; excellent presentation. You used up all your time, so we don't have any time to ask any questions. On behalf of the committee, thank you very much for appearing before us.

CANADIAN MANUFACTURERS AND EXPORTERS

The Acting Chair: Our next presenters are the Canadian Manufacturers and Exporters. Are they here?

Mr Ian Howcroft: We're here.

The Acting Chair: Ian? That's yourself? Who else is with you? OK, they can introduce themselves for Hansard.

Mr McMeekin: While they're getting ready here, we've had some conversation, at least in passing, about the direct and indirect costs, and some reference to health and what gets measured. Marion Odell just made a number of comments and, to be frank, they sounded frightening and all too possible. But I haven't a clue whether that's legit or not, and I'm wondering if it might be. I know the research people are burdened with—

Interjection: They're good, though.

Mr McMeekin: They're very good. Given our incredible reliance on the nuclear side for energy production, I'm wondering if we could have just a cursory overview of some of the literature about the health impacts. Maybe something has already been done on this; I don't know.

Mr Jerry Richmond: In response, I know that my colleague Anne Marzalik has done some work. I know she's done a paper. In the EU, they've begun doing some research on what they call the externalities of various forms of generation, and I know Anne has done a paper

on it. The same issue, Mr O'Toole would recall, came up a couple of years ago when we were doing the deliberations of the select committee on alternative fuel sources. I think what I'll undertake to do is provide you with that paper, which I know we have and, if there are further questions, we can pursue them. We can get everyone a copy of that in very short order.

Mr McMeekin: I appreciate that. I just hate to have to be on my knees, or have my grandkids on their knees 30 or 50 years from now, begging forgiveness for something we might have avoided had we known. So perhaps we could do that.

The Acting Chair: Thank you.

Ian, just go ahead and introduce everybody.

Mr Howcroft: Thank you very much, Chair, and members of the committee. Good afternoon. My name is Ian Howcroft and I'm vice-president of the Canadian Manufacturers and Exporters, Ontario division. With me are Mike Humphries, the general manager of Zochem, a CME member, who is also chair of our energy committee, and Paul Clipsham, who is a policy analyst with responsibilities for energy issues. He's employed by CME, as am I. We are very pleased to be here this afternoon and appreciate the opportunity to provide our comments on the Electricity Restructuring Act, 2004, or Bill 100. We're also pleased to provide our perspectives in general on energy in Ontario.

Before we provide our specific comments, I'd like to state a few general facts in order to provide some context and hopefully make it a little more relevant for you. CME is Canada's leading business association. We've been around since 1871. We have over 2,000 corporate members across Canada. Our members are responsible for producing 75% of all manufactured output in Ontario and in Canada and they're also responsible for 90% of the country's exports. Our members come from the very large manufacturing enterprises and also down to the very small. However, it's important to note that over 75% of our members come from the SME sector and employ fewer than 100 employees. Over one million individuals are directly employed in the manufacturing sector and two million other individuals have jobs that are dependent on the manufacturing sector.

These statistics help to demonstrate the significance of the manufacturing sector to the economy of Ontario. It's the largest single sector, and every dollar invested in manufacturing generates \$3 in total economic activity, the highest multiplier of any sector.

CME is currently undertaking a major initiative entitled Manufacturing 20/20: The Future of Manufacturing in Canada, in which we're travelling across the province and the country, speaking with and, probably more importantly, listening to manufacturers to determine the appropriate policy direction that will ensure a vibrant manufacturing sector, both now and into the future. The consultations will result in a report, recommendations and action steps that will be presented to all levels of government later this year.

From these consultations, we have learned that electricity is of primary importance to manufacturers in Ontario. They have had to absorb an average rate increase of 32.4% in energy costs from the first quarter of 2000 to the fourth quarter of 2003. Considering that selling prices have declined 6% over the same period, these figures are cause for concern and, more importantly, cause for action.

While we support the intent of the provincial government to address challenges associated with the open market, we do have some serious concerns about the content, or lack of content, in the legislation and the implications for manufacturers and business in general. If these concerns are not addressed, Ontarians will be faced with a loss of jobs and future investment to other jurisdictions where environmental and health concerns are not held to the same high standards of excellence as we have here in Ontario. It's important that we find electricity solutions that are environmentally and economically sustainable. We believe that solutions exist that will dramatically enhance the environment and foster and protect livelihoods in Ontario.

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CME's position is that legislation should create an environment that will support a diverse, open and cost-competitive energy market now and into the future. CME members have developed a set of key messages and principles to help the government in developing this legislation further and, also importantly, to help with the development of the regulations. We have appreciated the opportunities we've had to input thus far and we will continue to do that as this process also continues.

In the written submission you have before you, we've included some additional facts on the importance of manufacturing and the cost squeeze that manufacturers have and continue to endure. I will briefly highlight some of the key principles. We won't go through every point raised in our written submission. I'll let you read that. I would be pleased to answer any questions you have after this, and hopefully there will be some time at the end of the presentation for some questions.

The Acting Chair: You had 15 minutes from the time you started, and you wanted to ask questions.

Mr Howcroft: I know. One of the key principles we have is competitive pricing. Canadian manufacturers simply cannot afford further energy price increases. Canadian manufacturers are currently dealing with an average of six minutes of after-tax profitability in an eight-hour work schedule. This means that there is very little margin for energy price escalation.

There is also a need to recognize that energy costs are a critical determinant of investment and production decisions in North America. Energy costs have a direct impact on cash flow, which correlates to investment in the province of Ontario. The government needs to establish competitive benchmark prices with other jurisdictions such as the Ohio Valley and the southern United States. We are concerned that long-term RFQs essentially guarantee a higher price for consumers. Ontario's

uncompetitive energy pricing will result in jobs leaving Ontario and will affect future job growth in the province.

Furthermore, we're concerned about the wording in the proposed legislation that limits access to the annual rate plan to low-volume consumers. This type of discrimination may not affect large companies that can leverage their size to obtain better contract prices; however, medium and smaller companies may not be able to access these competitive prices, and suffer for it. This is especially critical for CME. As I already mentioned, the majority of our members are SMEs. Equitable pricing is even more critical to the economic well-being of Ontario, as they are proportionately more numerous in Ontario than they are in the United States. Therefore, growth and development of SMEs is fundamentally important to our standard of living relative to the US. Consumer designations should be removed or modified to account for small- and medium-sized enterprises.

Supply certainty: This is an umbrella principle that will likely resolve many of the other issues. The legislation does not adequately deal with long-term supply of electricity. There must be certainty that long-term supply challenges will be met. There must be a commitment to expedite large-scale supply development, otherwise Ontario may be forced to purchase power from the United States, where generation methods may or may not meet Ontario's environmental and health standards. Furthermore, large-scale supply development/refurbishment will create jobs in the province of Ontario and help to further stimulate economic growth.

Implicit in supply certainty is supply reliability. Improving the transmission grid is necessary for long-term supply solutions. Plant shutdowns due to transmission problems are becoming more frequent in many areas. By ensuring a diverse supply mix geared toward current and future demand, manufacturing, employment and investment will continue to flourish. About this time last year, we all saw what happened when we lost power in the province for a few days.

Emissions-based standards: Rather than rule out a particular supply source for health or environmental reasons, CME recommends that the government consider setting reasonable emissions standards to ensure a competitive environment and let the market determine how to achieve the targets cost-effectively.

Determining or limiting the source of supply of electricity will result in higher energy costs. The ministry must recognize that burdening large consumers with high energy costs will cause investment and jobs to leave the province. Many of these jobs will go to the southern United States and the Ohio Valley, where coal continues to be the major energy choice for large-scale generation. Therefore, the resulting impact on the environment and health in Ontario could be a net negative. Setting emissions-based standards that are realistic and attainable could be a lower-cost solution that will allow the provincial government to maintain the oversight of the environment and health concerns of the province and continue to provide jobs for all Ontarians. Indigenous

technologies exist that could achieve the highest standards of environmental health and safety, while mitigating the economic impact of certain policy decisions.

Process certainty: As we understand it, the market power mitigation agreement rebate will no longer be relevant under the new mixed market, or hybrid, system. This is due to the fact that the MPMA rate was based on a consistent rate market, as opposed to the new floating rate. However, the MPMA is believed to be based on the true cost of generation from the existing large-scale OPG assets, or the heritage assets. Therefore, the regulated assets under the new market system should reflect the MPMA rate. Failure to do so would result in a loss of confidence in the electricity market and could affect future investment in the broader market.

The ministry has stated that the first regulated rate would be set by the Ministry of Energy. We feel strongly that this rate-setting process must be transparent and should involve input from important stakeholders now and in the future. The initial rate will require detailed scrutiny in order to maintain a competitive future for our energy supplies.

Other issues we have included and we won't deal with in detail include process clarity, the need to avoid cross-subsidization, expediency, the importance of transparency, governance and accountability etc. They are in the paper. We will not address those right now. We thought it best to leave some time for some questions. So I will end my comments at this point, and either one of the three of us is available for questions. Thank you, Chair.

The Acting Chair: Thank you very much, Ian, and we do have five minutes to allow for questions. I will start with Mr Hampton.

Mr Hampton: Your submission repeats what we've heard from a number of other submissions today: that you're very concerned about cost. We heard from the major power consumers of Ontario that they believe what the government has in mind will result in an increase in the cost of electricity of anywhere from 30% to 50%. You've raised the issue of cost many times. Do you have a sense of potential cost increases, and do you have a sense of how that's going to affect different types of manufacturers?

Mr Howcroft: Well, cost increases will significantly increase manufacturers'—we haven't done an analysis of what those exact cost increases would or could be. In our view, there are too many variables and not enough details to come up with anything that was meaningful from our perspective. What we wanted to do was raise the broad issues and help to set the context for the discussions so that it would assist the government in setting those decisions, but we don't have an analysis stating that X would cause a 30% increase or Y would cause a 20% increase.

Mr Hampton: The 32.4% increase that you referred to here from the first quarter of the year 2000 to the fourth quarter of the year 2003—I noticed that the only cost increase that was larger than that is what you classify as industrial fuel. I take it industrial fuel would be, for the most part, natural gas.

Mr Howcroft: Natural gas, yes.

The Acting Chair: Thank you, Mr Hampton. Donna?

Mrs Cansfield: Thank you, Ian. It was an excellent presentation raising the issues.

One is, you've indicated the ministry stated that the first regulated price would be set by the Ministry of Energy. In fact, the OEB will set the first regulated price by 2005 and will be in the process of public hearings around that process. So, just to be helpful.

The other is something I'd like to share with you to see how maybe we could work together. One is, in fact you can't deal with an increase that would be too substantive, then we need from you some of the solutions. I can tell you, from people who've been in my office—and as I said earlier, we're now looking at some 500 to 600 folks who've come in and out of that ministry with suggestions and consultation—one thing we've heard consistently is, there are new technologies, some of which have been sitting on shelves and have come off the shelves and have been upgraded. Some have come from other parts of the world. Some are just new entrepreneurial thinking that's happened here. When they go to the manufacturing sector, they can't get in the front door. They consistently say to me that they get to a certain level of middle management, and it's: "We've done that. We've tried it. No, thank you. Not interested," and they can't get past it.

I've actually talked to Ken about this. So maybe there's something we could work together on. We're going to have that first industry stakeholder meeting on September 8 to help clarify some of these things, but the other is, maybe we could help in terms of putting folks together.

How do you think you could help us? One is, identify the barriers as you see them and write them out for us. The other is, help us open some of those doors beyond middle management for those new technologies and, again, identify the solutions in terms of what you think would be that fair and adequate pricing structure.

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Mr Howcroft: Well, we certainly appreciate the opportunity we had to meet with you, Donna, and we think there are lots of opportunities for trying to get those messages—good practices, best practices and new technology—out to our members. We feel that's an important role we can play.

We've worked successfully and partnered with other governments and ministries, pointing out the business benefits to proper health and safety and environmental standards and a variety of other areas.

We think energy is another great potential area for us to work together with government, to get the best practices out, to identify innovative technologies and to look for other ways we can help our members reduce their costs through conservation, new technologies and other vehicles. So we appreciate that and look forward to continuing to work with you and others on that side of the equation as well. Thank you.

Mrs Cansfield: And you will identify those barriers in writing for us and some solutions you might see that we can put forward?

Mr Howcroft: Sure.

Mrs Cansfield: Thank you very much.

Mr O'Toole: I have a couple of observations and a couple of questions, if I have time. I note your 32.4% increase during the period of time when we were messing around with the market. We did, arguably, a terrible job—uncertainty and all the rest of it—so I'm not trying to blame everything on them. But I do look forward to a comment as well on cost-squeezing. I'm wondering if you had included the costs of insurance and other liabilities going forward.

Mr Howcroft: Yes, those were included.

Mr O'Toole: OK, good.

The question I have is the reasonableness of emissions-based standards. You talked about carbon taxes and all these various things as offsets and things like that.

I've heard a lot today on the elimination of coal. I think it was in our plan too, by 2015, or maybe before, if we could do it. We initiated the Lakeview shutdown. So we're not opposed to that and we don't want to leave that impression. But they are also talking about eliminating nuclear now, and I guess from your perspective—a 98% increase in natural gas—you want to eliminate natural gas too. I'm wondering where the electrons are going to come from. What's the fuel source?

I think your point here is, "Determining or limiting the source of supply of electricity will result in higher energy costs." Good language. It appears to me, if you read the bill, section 25, on eliminating coal—it's right in the bill—it's a little ambiguous. If you look at that section, it says they'll look at the reliability and the source, but the objective of the OPA is to eliminate the coal piece. This, we've been told, is a 30% to 50% increase. Would you say, on behalf of your members—you're looking at process clarity here—that we'll have any economy left?

I'm not trying to be a pessimist. That's the reality here. I want the very best for myself, my children, my constituents and future generations. Don't let anyone think they own the topic. But if you're going to freeze in the dark—and at what price? Where is the price certainty here? I've heard three cents more for energy. What does one cent per kilowatt hour cost your industry? I need to know that. What does one cent cost? Because that's what OPA is going to cost: a one-cent addition just for administration hokey-pokey. Do you know that number?

Mr Howcroft: We don't. We've looked at the numbers and we've tried to come up with that, but we haven't been able to with any certainty or in a meaningful way. It all depends on the relative costs as opposed to just what that one cent is.

Mr O'Toole: It's 20% to 25% for manufacturing.

Mr Howcroft: It's significant.

I agree with most of your comments. We too view ourselves as responsible stewards of the environment and want what's best for the residents here in Ontario. We

live in Ontario. So we're taking a very balanced perspective as we move forward. That's why we haven't endorsed or said you should get rid of or eliminate any source of generation capacity. What you should look at is the emissions standards and come up with a way that protects the environment but also takes into account the long-term economic impacts of your decision, too.

Mr O'Toole: Exactly. It's a balanced approach. I appreciate that.

The Acting Chair: Thank you very much, gentlemen. We appreciate your participation.

POSITIVE POWER CO-OPERATIVE

The Acting Chair: Our next presenter is Jennifer Heneberry with the Positive Power Co-Operative. Welcome, Jennifer.

Ms Jennifer Heneberry: I have a presentation on disk. Can I just load it into the laptop?

The Acting Chair: Jennifer, you'll have 15 minutes. If you use it all up, there will be no time for questions.

Ms Heneberry: Good afternoon, ladies and gentlemen of the committee. Thank you very much for the opportunity to present my oral submission on Bill 100. I have provided written comments on behalf of the Positive Power Co-op which I believe all the members of the committee have received. I know there is a time constraint here so I will move forward quickly, hopefully to allow an opportunity for questions at the end of my presentation.

To give you a little background, I am the project coordinator for the Positive Power Co-Operative. We are a renewable energy co-op operating out of the Hamilton, Halton and Haldimand regions. We are similar in structure to the Toronto Renewable Energy Co-op, which owns 50% of the turbine at Exhibition Place.

We advocate and utilize the community power model for our energy projects. I believe the Ontario Sustainable Energy Association addressed the committee on Monday and gave some pretty extensive background on what the community power model is, but very briefly, it's locally owned and sited green power which provides a number of local economic and environmental benefits to the communities that host those projects, as well as a number of benefits to the electricity market and the environmental system as a whole.

Before I get into specific comments on the bill, I would generally like to make a number of observations. We were very pleased to see a number of the changes being proposed as part of Bill 100. We feel some of the proposed amendments are going to make it much easier for us, as a community co-operative developing wind power projects, to participate in the electricity market; things like references to non-discriminatory access to the transmission and distribution system, the promotion of cleaner and renewable energy sources and addressing the need for goals around renewable energy production. These are all things we were really happy to see in Bill

100. However, I wouldn't be here unless I thought there were a couple of comments I could offer.

Moving into that, probably the one overview comment I would like to make that's going to frame the rest of my comments is the need to recognize the community power model explicitly in Bill 100. Community power projects offer a number of benefits to the electricity system. Obviously the production of green power is clear in terms of the environmental benefits it offers to the system. There are a number of local economic benefits through the direct investment of local citizens in these projects. Wind power in general does tend to stimulate the rural economy through land-lease agreements with farmers who host developments. Community power also leads to a distributed energy system, and I know Minister Duncan did speak to this a little bit on Monday. Distributed generation leads to a more stable and efficient electricity grid, and community power is a very good way to go about achieving that.

These benefits that we bring to the system need to be explicitly recognized in Bill 100, and a very good way to do that is to make changes to the bill to facilitate our entry into the market.

As a way of going very high level, we were glad to see—and I'm probably not the first group to mention this—that there are definitions of renewable energy and alternative energy that are contained in Bill 100. The existing Electricity Act doesn't address that. However, we feel that the definitions are unnecessarily broad. They could be interpreted to mean simply cleaner sources of electricity such as so-called clean coal or nuclear power. It's our opinion that renewable energy and clean energy need to be considered those sources of electricity that have a minimal environmental impact and are made from and utilize renewable energy sources such as wind, solar, geothermal, run-of-the-river hydro—those types of sources.

Bill 100 also references pretty extensively the need for system-wide goals around renewable energy production. We feel that a really logical mechanism to accomplish that is the development of a renewable portfolio standard, or RPS—I hope I'm not going to kill the committee too much with acronyms; I'll try to limit it to under five, so there's number one. We feel that the RPS as a mechanism needs to be explicitly defined in Bill 100. I know I'm not the first person to mention this today, but any kind of system-wide goals that get implemented as part of Bill 100 and any amendments to the Electricity Act need to be viewed as a minimum standard, not an end goal and not a maximum target that needs to be achieved around renewable energy production.

Section 25 of Bill 100 deals with differing situations which allow for different payment structures to different types of generators. We were very excited to see this, because it seems to allow a very natural way to structure payment to generators that allows the recognition of external societal costs. I know there have been some presentations on that already this afternoon.

Differing payment structures for different generators would allow the recognition and passing on of the true

costs of electricity in the sense of health costs associated with coal-fired generation or the environmental cleanup costs associated with nuclear power. It also allows the recognition of avoided costs of electricity generation by wind, things like the environmental benefits associated with green power, the distributed generation, which also results in avoided costs in transmission and line loss. We feel the payment schedules need to be fairly explicit and need to favourably recognize those generators who avoid those types of societal externalities that we've been talking about in terms of public health costs, liability insurance costs etc.

1700

The benefits of community-based power could be recognized with cost benefits under this "differing situations" clause in section 25, specifically through the implementation of some type of advanced renewable tariffs, which has been advocated by the Ontario Sustainable Energy Association. I believe they did go into some detail about this plan on Monday, but just briefly, it is a fixed, long-term-rate contract for smaller-scale projects done by community groups, which allows them to financially plan their projects and enter them into the market much more easily.

Further to the definition and solicitation of renewable energy production, the recent request for proposals that the Ontario government has implemented has obviously been a way to try to improve the number of producers that are currently producing renewable energy in the province. We were glad to see that until we looked at the criteria for that particular request for proposals. The fact that it was based on lowest-cost criteria and the financial security methods that were a part of that request for proposals unduly favours large-scale projects and pretty much excludes any community-based projects from bidding in. Positive Power is currently working on two wind-power projects, and neither of them was eligible to bid into the RFP due to the financial security requirements.

We feel that any future solicitation by the province for renewable energy production needs to take this into account and needs to have separate mechanisms that will deal with soliciting energy from community groups or smaller-scale renewable energy projects. We feel the mechanisms also need to be strictly defined in Bill 100. We need to see how the government is going to solicit and meet the system-wide goals it talks about pretty extensively through Bill 100. We want those mechanisms to include not only a lowest-cost-criteria RFP.

There's also quite a bit of talk about the new Ontario Power Authority and its new roles, and the shifting of roles and responsibilities with the rest of the agencies which, it is our understanding, will remain intact as part of Bill 100. When you couple that with the sometimes onerous process of actually getting a project connected to the grid with Hydro One, this has the potential to lead to a number of multiple levels of procurement, solicitation and approval processes, which can often be both a financial and a bureaucratic burden to smaller-scale

projects. We feel there needs to be a streamlined process in place for smaller-scale projects like community co-operatives such as Positive Power.

In closing, just to bring this back and re-emphasize, there are a number of benefits present with community energy co-operative models. The benefits we bring to the electricity market are environmental benefits, and there are economic benefits. We feel that those need to be recognized and supported by virtue of us not being left out sometimes because we have smaller-scale projects.

We feel that Bill 100 really does need to introduce and explicitly define a lot of the measures and mechanisms that are mentioned within the proposed amendments and that they need to recognize community energy co-operatives specifically.

That ends my comments. I hope I still have time for questions and answers.

The Acting Chair: Yes, you do. A good presentation. We'll start with the government side.

Ms Wynne: Thank you, Jennifer. We take your point about the smaller-scale projects. We have heard that.

Part of your group's mandate, I understand, is education. Can you talk a little bit about what you think the government could be doing to support and promote education initiatives and the kind of work you are doing in the community at this point?

Ms Heneberry: Are you specifically talking about the type of generation we do or more about just education?

Ms Wynne: The education component, and what you think we should be doing in terms of education.

Ms Heneberry: I think a lot of this will happen organically as you see more wind projects come on to the grid. A lot of the education that needs to be done is to correct misperceptions of renewable energy generation: that it's not reliable, that it kills birds—specifically wind. I think a lot of that will happen as these projects go forward and as they're approved. Certainly the government's approving these projects would go a long way to assisting that.

I think a general culture of conservation and the need to recognize both reducing our generation need and our need to improve the amount of renewables we're generating would be just a part of the culture of conservation that the government is trying to cultivate with the conservation bureau and those types of educational initiatives.

In particular, I think recognizing the community co-operative model—I'm not sure what kind of educational initiatives might be appropriate for the government to undertake, but recognizing there are local benefits that can be gained through supporting local groups like ours.

Ms Wynne: Do you work with young people, or do you work with community groups?

Ms Heneberry: More generally, we work with citizens. We have over 140 members who represent a fairly vast demographic scale throughout Hamilton, Halton and Haldimand. We don't have anything specifically geared toward young people. It's been difficult for us to enter the curriculum—the school boards—but

certainly we would like to see education around the importance of renewable energy start younger, seeing it as a part of the curriculum in schools, as opposed to—

Ms Wynne: So you've tried to get into the schools and there have been barriers to that?

Ms Heneberry: To some extent. Most of the workshops we have been doing are geared toward the community as a whole, and they're open to anyone who comes out. So we do see a lot of homeowners out, as opposed to younger children.

Ms Wynne: OK. Thank you.

The Vice-Chair: Mr O'Toole, do you have a question?

Mr O'Toole: Yes, I have a couple of comments and a question at the end.

I'm in support of distributed of generation, and I would like to put that on the record. In an application sense, community co-ops could apply in rural areas. If we had several dairy farms close by, they could have wind generation, and there are some suggestions about how to eliminate some of the barriers that could occur, because this has been raised to my attention. But under the agricultural food practice act, there's no mechanism for that to happen, and I'm not exactly sure where to go.

On the RPS, the alternative fuels committee made a very strong recommendation on renewable portfolio standards. I'd like your response to that. But in policy and in action, I see conflicting comments. They cancelled the provincial sales tax on energy-efficient appliances, which we had implemented. They also cancelled the 10-year property tax holiday that we had given on wind generation. So they've done nothing that I can see to incent the renewable portfolio.

We had a presentation here on Monday that said the assessment and tax implications for wind generation are 10 times those of a fossil plant. Those are the kinds of barriers you have to speak to them about to get the renewable stuff competitive, because there are a lot of barriers, red tape, regulation and taxation to properly put their business plans forward so they can compete on a level playing field without some kind of tax or incentive or tariff, as it has been called lately.

Have you got any suggestions on those comments?

Ms Heneberry: Certainly I aware of the property tax issue, which Glen Estill from the Canadian Wind Energy Association brought up in his remarks on Monday. This is something that has recently come to our attention, but I'm unsure—

Mr O'Toole: He put a 10-year holiday on. You knew that.

Ms Heneberry: I'm aware of that, but due to the recent cancellation of that, we're not sure how that's going to affect us yet. I'm not sure what other kind of response you're looking for, other than our opinion on what that's going to do to our business model. We'll have to build in contingencies to deal with any kind of increase in property taxes that may result, like the cancellation of that property tax holiday.

We view these projects as economically viable. It's entry into the system that we are concerned about, and that's what I've been trying to address with my comments here today. If we didn't think these projects were economically viable, we wouldn't be trying to get members of the community to invest in them. If they weren't viable, people wouldn't support them locally. I understand the need to support with tariffs, but these are not incentive taxes. These are guaranteed long-term contracts that will support us and enable our financial planning to allow us to enter the market.

1710

Mr O'Toole: How many people do you think would pay three cents more per kilowatt hour for renewable energy, 5%, 10%?

Ms Heneberry: That's a question I'm really not qualified to answer.

Mr O'Toole: There are a lot of people implying that people are prepared to pay two and three cents more per kilowatt hour, or more. That's what we're being told here today. I'm not sure who they represent, but we're hearing—

Interjection.

Mr O'Toole: I'm just saying I'm all in favour of full-cost pricing, but let's find out what it is. We still don't know. I ask any of them what the cost of nuclear is.

Mr McMeekin: Let's compare apples to apples.

Ms Heneberry: I'm unsure what the question I'm being asked is.

Mr O'Toole: I'm just asking a question.

The Acting Speaker: They're just talking to each other, which is normal here. Did you want to respond before I turn it over to Mr Hampton?

Ms Heneberry: The only thing I would say is that I can speak for myself, and I would pay three cents extra per kilowatt hour for renewable energy. We would not have 140 members in our co-op if there weren't at least 140 people who recognized the value of renewable energy and were willing to put their money where their mouth was.

The Acting Chair: Good for you. Mr Hampton?

Mr Hampton: I just have a couple of nuts-and-bolts questions about cost and a renewable portfolio standard. Paul Gipe was here on Monday and I believe he was asked the question. He was talking about what it would require to provide the incentives to bring on more small-scale wind energy. I believe his answer was that what would be needed was a price of 10 cents a kilowatt hour for 20 years.

Ms Heneberry: Yes, I believe that's what they are currently advocating on the Ontario Sustainable Energy Association Web site.

Mr Hampton: Is that your sense from the work you've done? Is that your sense of this?

Ms Heneberry: Our sense is that that type of contract would be economically viable for the projects we are doing, with the understanding that different projects have different types of costs associated with them. Sometimes you could do a project for less than that. Certainly the

longer-term contract is what is important there. The longer-term contract at that guaranteed rate is what makes it easier for us to plan as a community co-operative. The rate itself is fluid. Ten cents is likely a reasonable estimate. I'm sure Paul's done a number of different research pieces on that. But it would certainly be reasonable based on what our research has entailed, with the understanding that certain projects—with some of our multi-turbine projects, you may be able to move that price down; with some of our single-turbine projects, based on the specific site, 10 cents may be cutting it a little close. But generally I would think that's a fairly reasonable estimate.

Mr Hampton: Ostensibly, that then enables you to go and borrow the money to begin the construction.

Ms Heneberry: That's correct.

Mr Hampton: And then the 20-year pay period, the 20-year guaranteed contract, allows you to pay that off.

Ms Heneberry: That's correct. Generally, most financing agencies will tell you that you need a power purchase agreement in hand and that debt will be granted to you for the term of that power purchase agreement. The longer your term, the longer you have to pay off that debt, which may enable you to take on more debt if it's needed. So, yes, it's the term and the price. Both are fairly important in the planning of these projects.

The Acting Chair: Thank you very much, Jennifer.

JV ENERGY SERVICES LTD/WHITBY HYDRO

The Acting Chair: Our next presenter is JV Energy Services Ltd/Whitby Hydro. Are they here?

Mr Jurgen Volling: Kevin Whitehead from Whitby Hydro—

The Acting Chair: All right. Then you are up, sir. Have a seat.

Mr Volling: I have a handout for each person.

The Acting Chair: Thank you. You have 15 minutes to make your presentation. Don't feel rushed. If there is any time that you haven't used, it will be granted to the parties to ask you some questions.

Mr Volling: Ladies and gentlemen of the Bill 100 committee, I thank you for the opportunity to speak to you. I'd like to spend five minutes on the technology, five minutes on how Bill 100, with the right incentives, could benefit the community, and then maybe five minutes for questions.

The technology that I'm proposing is called bi-fuel. Statistically in the United States, about 15% of the generating capacity is in emergency generators and it's not utilized about 95% to 98% of the time. If we apply that ratio to Ontario—30,000 megawatts—we have perhaps 4,500 megawatts or 5,000 megawatts of emergency power in Ontario and we estimate, in the GTA, about 3,000 megawatts of generating capacity.

If we look at the technologies that are available today and the external factors, sometimes they drive us to a new solution. Because of the aging grid and also the

limits of capacity in certain regions, we feel that the bi-fuel solution could be quickly adopted. First of all, the delivery of such equipment is about two to four weeks and it takes one to three days to install.

If you'll look at the coloured handout, I'd like to explain the technology. The existing diesel generator at the top right would remain as is. There's no modification to the diesel engine or the generator. We simply move out the air cleaner six inches and incorporate this air-fuel mixer between the turbocharger and the air cleaner. We provide a one-to-three-PSI gas line and introduce it into the air cleaner. If you look at the lower left-hand side, we have an air-fuel mixer; 3% of the air-gas mixture is gas, 97% is air, but that 3% can represent up to 80% of the energy. The diesel fuel is moved back, so now we have a cleaner fuel and we can provide this on demand.

OPG is aware of this, Enbridge Gas is aware of this and Union Gas has been aware of this for the last two and a half years. We are converting the Olympia and York generator on the 73rd floor; it's a 16-cylinder. It's completed now. We just have to test it next week or the week after. OPG is planning to talk to them about dispatching it with their software program at University Avenue. So we could bring on hundreds or thousands of megawatts in a matter of weeks or days.

The other thing: At the bottom you'll notice the emissions issue. The emissions will be reduced, and we also have an exhaust purifier that is virtually maintenance-free that could be added for additional emissions reduction.

The other interesting thing is that the emergency generator is available at all times for power during the installation. We may take a few minutes only to remove the air cleaner and clamp in this air-gas mixer, but it would be done in very short order. It could be done off-hours, in the evenings or weekends, but it's available.

On the second page of the handout, on the benefits, we would address two areas. One is demand response with a bi-fuel generator and the other one is demand side management. The benefits to the customer would be a more efficient operation because they know where their needs are, and also lower electricity costs. We have about 92 electrical distribution companies in Ontario that are members of EDA, the Electricity Distributors Association, and they would have a deferred capital expenditure, and also if there was a potential rebate after an audit of the benefits to a customer or the utility.

Presently we have rate freezes. If rates were unfrozen, then demand response and demand side management could provide these benefits. We have the support of Enbridge Gas right across the province, and also Union Gas. They are aware of this and are willing to invest in utilizing these assets to make the system more efficient.

The one barrier I see is the certificate of approval for air on the operation of these units, but we have the devices to reduce the emissions. The bi-fuel system alone, and also the catalytic purifier, can reduce it anywhere from 10% to 50% at the bottom end and from

60% to 90% at the top end, depending on make, model and age of the unit.

Thank you very much. If there are any questions, I'd be happy to—

The Acting Chair: I will do that. We will start with Mr O'Toole.

Mr O'Toole: Thank you very much. It's good to see people from Durham with the innovation you're bringing in here. I mean that quite sincerely. What we are looking for are new, not larger, models of doing the same thing that we've been doing for 100 years. You're really talking about load shifting, load management—

Mr Volling: Peak shaving; peak sharing.

1720

Mr O'Toole: Peak shaving—all of those conceptual things that need a solution. We heard from a presenter earlier today who basically outlined for us the importance of having this reserve capacity. You're right, it's in the 3,000 megawatts to 5,000 megawatts. It has to be sitting there, and it's like a stranded asset because you're only using it to deal with these peak demands or unusual demand cycles.

Mr Volling: That's right. You have certain spinning reserves and then you have 10-minute reserves.

Mr O'Toole: I think it's exciting. Have you been heard by some of the civil servants who are really the engineers of most of this stuff? Did they listen to your presentation?

Mr Volling: No, not many.

Mr O'Toole: Can you get in? Mrs Cansfield is the parliamentary assistant. She would have full access to not just Dwight Duncan but also the deputies and assistant deputies, directors of policy, who are the people who write this. We represent people and try to do the best we can; we bring as much knowledge as we can. I commend you for your creative thinking on solutions.

Whitby Hydro and Veridian and all those people, the LDCs locally in Durham, are quite creative.

Mr Volling: Right. I know Mike Angemeer, the president of Veridian. I spoke to him about this. He's looking for a site right now.

Mr O'Toole: Good. Is Veridian looking—

Mr Volling: Veridian is looking for a site right now.

Mr O'Toole: Excellent. Keep up the good work, and hopefully the ministry people will hear your new approach to the use of cleaner fuels and dealing with peak or reserve capacity.

Mr Volling: Just to look at, roughly, the payback on investment: The cost is about 15% of a generator set. The capital investment is already made, so it's an additional 15% of the cost of a generator set. In New York and California they have anywhere from one to six months' payback. On a drill rig, where you have flare gas available, the payback is one day on this investment. This is simple technology. It can be installed in one or two days, to give you an idea. It's been used for 10 or 15 years in the US. They are converting 200 diesel generator sets in Peru right now. They're in China, Russia—all

over the world for the last 15 years. We are just coming—it's an awareness and an education situation.

Mr O'Toole: This would help with the conversation on distributed generation—

Mr Volling: Exactly.

Mr O'Toole: —on which we've had presentations here just prior to yours.

The Acting Chair: Mr Hampton.

Mr Hampton: I just want to get a fuller sense of this. Interruptible power rates for a major electricity consumer who agrees that if peak demand hits a certain point, their supply of electricity will be interrupted, is not a new concept; it's been around for a while. Peak sharing is not a new concept.

Mr Volling: Which is different from peak shaving.

Mr Hampton: OK.

Mr Volling: Could I explain the term?

Mr Hampton: Yes.

Mr Volling: Peak shaving is where a customer shaves their own peak, whether it's a building or an industrial plant. Peak sharing is where this generator set would be parallel to the grid and then they would float up and down with the grid so they could actually export power. That's peak sharing. Peak shaving is own consumption reduction.

Mr Hampton: Right. But we've had some peak sharing in Ontario, haven't we?

Mr Volling: Yes. I've sold several systems for peak sharing. We did the Toyota auto plant in Cambridge: 13,800 volts.

Mr Hampton: OK. So that's been in place for how long?

Mr Volling: Since 1987. We did another one in 1965 with Brantford public utilities. I've been in this business for 37 years in Ontario.

Mr Hampton: Yes. So we've got, then, an historical record of how this has worked.

Mr Volling: Yes, definitely.

Mr Hampton: Could you share that with us?

Mr Volling: In terms of how it's done, or with whom?

Mr Hampton: In those particular enterprises, what it has meant.

Mr Volling: What needs to be done?

Mr Hampton: Yes.

Mr Volling: I have a little box that's about 12 inches by 12 inches. I can parallel the utility with this. I have all the protective relays. Alignment would not get hurt. We'd have a reverse-power and just trip out the generator. I have an island operation we can operate with the utility, without the utility, island and non-island operation. It can be installed very quickly. Typically in the past it was a \$40,000 investment to protect the utility and the generator in all these individual protective relays. Now we have everything in a little box. It's smaller than a laptop, and that's about a \$5,000 item. It provides everything. It used to cost \$40,000. As a matter of fact, I have to go to the airport to pick two of these up. Somebody wants two. We are going to install one of

these boxes at the Canadian Tire in Welland, Ontario, on the weekend.

Mr Hampton: Good. Thanks.

The Acting Chair: Thank you very—
Interjection.

The Acting Chair: Did you want to ask a question?

Ms Wynne: Are we out of time?

The Acting Chair: We are out of time.
Thank you very much, sir.

CHRISTIAN FARMERS FEDERATION OF ONTARIO

The Acting Chair: The next presentation is by the Christian Farmers Federation of Ontario. I saw you waving. Welcome. If you could just introduce yourself for Hansard. You have 15 minutes. If you don't use it all up, that will give us some time to ask you some good questions.

Mr John Kikkert: Good. Thank you very much. My name is John Kikkert, president of the Christian Farmers Federation of Ontario. We're an organization of around 5,000 members, farmers from throughout Ontario. Our office is located in Guelph. We have 22 districts throughout Ontario that are represented by groups or committees. On top of that, we're involved with discussions at the executive level and then with our provincial council meetings.

We cover pretty well all of Ontario with our districts. Myself personally, I'm involved in the aspect of chickens for the Niagara Peninsula. I guess we're kind of close to the energy belt, if you look at Niagara Falls or look anywhere outside of that. If you look back a year ago, I was one of the fortunate ones to continue to have hydro despite the blackout throughout this area and into the US.

It's a pleasure for us to be here. With me is Elbert van Donkersgoed. He is our policy adviser. He puts all this work together. I'm going to ask Elbert to lead through our three-page document.

Mr Elbert van Donkersgoed: My thanks to the committee for taking the time to hear us this afternoon. I am basically going to read most of this and ad lib just a few little bits.

From a very broad perspective, we support a major role for governments in guaranteeing a reliable and efficient electricity generation and delivery system. Government has a role in avoiding price spikes in response to peak load demand or generation difficulties. Too much instability will destroy confidence in the electrical system. In other words, we're very comfortable with some of the basic notions of Bill 100, and that there will be a long-term significant role for government.

We support the use of market tools where they can serve the public good. We are an organization of entrepreneurs, and we're very willing to use market tools and the like to serve the public good, but we're not exactly slaves to the marketplace. Bill 100 can be interpreted to support this direction and we're here to suggest that we make it much clearer throughout the text of the legislation.

We support a gradual change in the price of Ontario electricity to reflect the average cost of production over time. At the same time, we support a three-step graduated scale of prices so that small and medium households and businesses pay less per unit of electricity use. Medium users would pay a higher price for their consumption over the basic amount. High users would pay a still higher rate for any usage over the medium level.

We support the elimination of subsidies that encourage consumption, while we support subsidies that encourage conservation and alternative energy production.

We support the development of pricing incentives for energy conservation such as time-of-day pricing for all users and consumers. We welcome Bill 100's proposal for a conservation bureau and the enabling policies that will allow electricity distributors to develop conservation and load management programs. We would go a step further and mandate conservation and load management. There are a number of places in the bill where we would say that enabling is not enough; the bill should mandate.

We support the adoption of a long-term strategy that will significantly reduce Ontario's dependence on non-renewable energy sources, makes use of energy sources more efficiently, conserves energy resources of all kinds and enables many entrepreneurs to be part of the delivery.

We are also realistic. Markets for renewable energy are difficult to create. Renewable energy products, especially during the early years of development, generally cost more than non-renewable ones, and payback periods for investors are often longer. Long-term support for renewable alternatives is necessary to allow producers to improve technology, develop management systems and reduce costs.

1730

I should just mention that we have a member who diversified out of the dairy business and bought an old water-driven mill and put a generator in it. It took him three years to get through the process of getting all the approvals. It took him quite a chunk of investment and, for Howard's benefit, he tells me that at six cents, he breaks even with what he has put in toward creating that small generating system.

We note that it will take more than incentives. As a first step, a renewable and alternative bureau with as strong a mandate as the proposed conservation bureau needs to be included in Bill 100. If we think renewables are just going to happen, I think we're kidding ourselves. We're suggesting to you that this needs more than a face; it needs a promoter. It needs somebody to root for it. It needs a champion. That means this bill needs to create a champion for renewables and alternatives, and it needs to be one that isn't going to be influenced by the other parts of the electrical system. It needs to be as strong a mandate as the conservation one.

We note that in the past 30 years, our federal government has favoured non-renewable resources of energy with its spending and tax incentives, in the form of tax

write-offs for exploration expenses, contributions to megaprojects such as Hibernia and the Alberta Tar Sands and the absence of depletion charges. We need a similar level of support for entrepreneurship in renewable and alternative electricity sources.

Bill 100, it appears to us, only promotes renewable and alternative energy. It needs rewriting so that it will deliver, and we notice especially the purpose clause that says, "to promote the use of cleaner energy." We think you've got to have stronger language if we're going to have real results down the road.

You folks are our legislators, and you're going to be the ones to decide, really, what the long-term goals are, or what the long-term agenda here is, but if you don't specify it, I'm not sure that the civil service or the executive will deliver. I think you, as legislators in the Legislature, need to specify what needs to be delivered down the road. If we're going to have renewables, the language has got to be more than "promote." We need a system that delivers.

We support the creation of marketplace incentives and streamlined approvals to encourage entrepreneurs to develop cogeneration and environmentally friendly generation facilities. A bureau, for example, should have helped somebody like our member, who took three years to get through all the hoops, to get through in something like six months, once he'd decided that he was willing to make the investment. There's every reason that there should be a vigorous level of support for the entrepreneurs willing to take the long-term risks.

Alternative energy production is a way to bring value to farming without producing more crops or livestock. Done right, the legislation itself can be an encouragement for farm entrepreneurs to diversify in this direction.

The legislation needs guarantees that small- and medium-sized entrepreneurs will have access to the distribution grid. Language that might result in enabling regulations is not satisfactory. As legislators, you should not be satisfied with promises of enabling legislation. A right to connect needs to be specified in the legislation.

Secondly, the legislation needs to guarantee the basics of a pricing system. These investments are long term and necessitate fixed-term price agreements. It is not enough to enable distributors to buy or invest in renewable or alternative energy sources. We need a commitment to a pricing system that enables the participation of small- and medium-sized entrepreneurs in electricity generation. Distributors should be required to accommodate access for small- and medium-sized electricity generators in future modifications of their system.

This legislation needs to support a clarification in other legislation and policy. For example, energy generation should be recognized as an accessory use for land zoned either agricultural or rural. Zone changes should not be necessary for windmills constructed primarily for on-farm electricity needs. Wind farms, on the other hand, need some special attention in land use policy.

We support the development of technology for the production of ethanol in Ontario, but we are cautious

about building a substantive alternative fuel system based on processing food and feed grains into ethanol. As food and feed commodities are part of highly competitive international markets, we can expect dramatic spikes in the prices of these commodities. The net energy balance available from processing food and feed grains into ethanol remains controversial. In the long term, this technology needs to be based on feed stocks other than food and feed grains.

We also support the development of technology for the production of bio-diesel in Ontario. We know the technology is still expensive; however, it also has the potential to help the food system with other challenges, such as deadstock management.

We are less excited about using this technology to manage livestock manures. Livestock manures need to be returned to the land, close by livestock facilities, to maintain the long-term productivity of our soils. Applying livestock manures to cropland is also the most cost-effective way to manage manures.

We mention both bio-diesel and ethanol because we think that in areas like wind, solar and the like, there is a bigger future for alternative energy sources than in bio-diesel and ethanol. We think both of them have long hurdles before we can expect them to be competitive.

Finally, if load management, conservation and time-of-day pricing are implemented with care, there will be plenty of opportunities for farm entrepreneurs to generate energy for their own use, especially during periods of peak electricity demand and higher prices. They have the land base, the entrepreneurial experience and access to many potential energy sources such as bio-diesel, ethanol, solar, water and wind.

Bill 100 includes many initiatives that we welcome. However, in a key item, it lacks clarity and commitment: the local production of energy in many communities by small and medium-sized entrepreneurs. You have an opportunity to enable farmers, countryside landowners and rural communities to be part of the economic potential of redesigning electricity generation. We suggest you don't miss the opportunity. As the bill stands, we think we could very well miss the opportunity.

The Acting Chair: Thank you, and you do have time for questions. Who is next?

Mr O'Toole: I want to make a comment and then a question. I think your idea on the pricing structure, the three steps—residential, small business, which would include agriculture—right now, it's 250,000 kilowatts where you actually get into being a large consumer. When they say 50% of the consumption, about 25% is residential; the rest is by commercial users.

The term you're looking for on the standards or regulations for new or renewable fuel is called the renewable portfolio standard. That's the language of the world. I kind of agree with you that we set in legislation a stable line for a renewable portfolio standard of, say, 3%. That's about what Denmark has done. So put it right in legislation that it's non-negotiable, and all the contracting and RFPs would have to conform to that, knowing that

3% or 4% of all new generation would have to be from renewable sources. Right now it's completely ambiguous, as most of the bill is and most of their election platform was too.

Do you have anything to say with respect to the two comments I've made: the renewable portfolio standard, which you spent some time on, and—comment was specifically on the agricultural sector, which is important in my riding. Dairy farming—these people are going to get killed if prices double. You're in chickens, you're in livestock, you need fuel. It's a serious problem. I just throw that out for you to respond to.

How about co-ops for agriculture? A wind generator for four farms? Why not?

The Acting Chair: How about letting him respond?

Mr van Donkersgoed: On the basic question of the vagueness of the bill, we think some of this needs to be very clearly said that it's going to happen so that the civil service and the executive of this government don't have a choice but to listen to what Parliament has said. I think you, as legislators, need to set the agenda. So I don't think there is any doubt that we've got to have some more hard and fast data, details, goals, specifics in this bill about what we're going to do for renewables over the next decade or whatever.

1740

On the subject of pricing, our reason for three-step pricing is very much because the small-scale entrepreneur is the backbone of the countryside and many of the smaller entrepreneurs, including farmers, are not in a position to immediately start moving as fast as we probably should to the actual cost of energy, as I hope others are able to. I can't speak for them, but for us, we think the smaller entrepreneurs need to have the support of government, the support of society, in order to be the economic engines of the countryside.

Mr Hampton: The farmers are in a unique position here, in that you will consume electricity, and many farm operations consume a fair amount of electricity. I visited a dairy farm—I wouldn't even say it's a large dairy farm, but a medium-size dairy farm—where they showed me all their coolers, their lighting systems, the milking systems, and then they showed me their hydro bill. It was quite a substantial hydro bill.

We heard earlier today, for example, from a number of industrial groups: mining organizations, the steel industry, the pulp and paper industry. They basically said that from their accounting, the price of electricity between 2000 and 2003 went up by 30% or 31%. They've looked at Bill 100 and all of the permutations, and their concern is that it will mean a further increase in the price of electricity of somewhere between 30% and 50%. They are, of course, warning against that. What would be the effect of an increase in price of, say, another 30% on farmers in Ontario, in your view?

Mr Kikkert: The main thing would be, if we go up 30%, does the rest of Canada? Let's look at Quebec, with the water source. Can we be competitive with that? That would give them an advantage. Then you look at the

Great Lakes states, at how competitive their electricity rates are with ours. If we're going to go up 30%, hopefully they'll go up 30% for the same reasons. But if they only go up 10% and we go up 30%, yes, we have a competitive disadvantage.

Mr McMeekin: It's clear we can't have conservation without a focus on the price side also. To deny that is a problem.

Mr van Donkersgoed: Agreed.

Mr McMeekin: I just want to compliment you, Mr van Donkersgoed, for the excellent presentation. We have a strange kind of relationship. You do a lot of writing, and I always find your stuff to be not only insightful but practical and full of a lot of common sense. I always move it over to my "Save" file because it's so valuable to me personally, so I want to thank you for that.

Today is no exception. You've laid it out. You've talked about the need to be proactive. You've talked about the government needing to intervene. The only thing that was ambiguous, by the way, in the last election was the size of the deficit in Ontario.

But that having been said, you referenced ethanol and the right to connect, which was something we heard a lot about. You've talked about the government assisting to provide incentives. What specifically can you tell us about the form you'd like to see put in place to enable that to happen?

Mr van Donkersgoed: There are many ways that one can approach incentives, all the way from property tax-related benefits, but with every one of them that you raise, you also immediately have a concern. If, for example, we do minimal property taxes on lands or facilities that are used for energy generation, the last thing our municipalities need is another hit for not having property taxes when there's new development in their communities. So we have to do the incentives from a provincial level rather than assume that we can say, "We'll force the municipalities to deliver." One point we would want to make is that we wouldn't want the provincial government to say, "Municipalities, you've got to create the incentives." The incentives have to be from within the electrical system, and the consumer, in the long term, needs to be paying for those incentives.

Mr McMeekin: So don't download incentives.

Mr van Donkersgoed: It could still be a property tax opportunity, but the money that the municipalities are forgoing better flow to the municipalities from the province, or from the energy system.

Mr McMeekin: So you need the tools.

Mr van Donkersgoed: I think there are a lot of opportunities, from property tax to assistance with interest rates for long-term loans—in other words, providing capital at a guaranteed rate—to income tax breaks or incentives in income tax. Even if we're wanting to get all kinds of citizens to invest in green energy, you could easily have a green energy incentive on your income tax return. If you've invested so many thousand dollars into a green investment, you get a break on your provincial income tax.

We've got a lot of opportunities there. I don't think there's a lack of opportunity. The real choice needs to be based on how we get lots of people involved, how we get lots of entrepreneurs involved and then how we make sure that this big system we've got in place opens up to all these entrepreneurs and the potential that a lot of citizens are going to be willing to invest.

Mr McMeekin: Bang on. Thanks very much.

The Acting Chair: Thank you very much, gentlemen. We appreciate it.

ADVOCACY CENTRE FOR TENANTS ONTARIO

The Acting Chair: Our next presenter is the Advocacy Centre for Tenants Ontario. Is Mary here?

Ms Mary Todorow: That's me.

The Acting Chair: Would you just introduce yourself for Hansard.

Ms Todorow: Good afternoon to the Chair and members of the committee. I know it's a bit late in the day and I will try not to take up too much time so there's time for questions.

My name is Mary Todorow and I am a policy analyst at the Advocacy Centre for Tenants, a specialty legal aid clinic funded by Legal Aid Ontario to engage in test case litigation and law reform advocacy to better the housing situation of low-income residents, including tenants, co-op members and homeless persons across Ontario. In addition, we exercise this mandate on behalf of the 79 community Legal Aid Ontario clinics in respect of their work representing the interests of low-income residents.

Our clinic is also a member of the Low-Income Energy Network, or LIEN, a group of advocates and environmentalists who joined together in early 2004 to highlight the need for the provincial government to take the lead in safeguarding low-income consumers as it moves forward with its plan to reorganize Ontario's electricity sector and with Bill 100. LIEN held a media conference just before the April 1 rate hike and asked the government to include the following provisions in its energy plan: direct energy assistance for low-income households unable to absorb the higher cost of power or those in emergency circumstances; and a conservation program to make energy-efficiency upgrades accessible to low-income households, in line with recommendations made by the Ontario Energy Board in its report on demand-side management and demand-side response.

I have copies of our background materials. I have 10 here, if anybody would like to have a copy of the LIEN materials from March. There's some interesting background information there.

When the energy minister appeared before this committee on Monday, he stated that electricity is a fundamental public need and that the government is trying to find the right balance in Bill 100 between the need for prices that reflect the true cost of electricity and consumers' needs for affordable and predictable prices. I'm here today to draw your attention to the dispro-

portionate energy burden faced by Ontario's low-income households and tenants and the disproportionate effect that increases in electricity prices will have on these vulnerable consumers.

According to StatsCan data, 14.4% of Ontario's population—about 1.6 million people—are living at or below the poverty line. The majority of these people live in tenant households. For low-income households in Ontario, it is a daily struggle to pay for the basic necessities of life. They are particularly vulnerable to increases in shelter and utility costs, increases which are difficult to absorb and which could put their housing in jeopardy.

Approximately 23% of tenant households pay for utilities directly and separately from the rent. Under the current provisions in the Tenant Protection Act, an increase in electricity prices is incorporated into the annual rent increase guideline and passed on to tenants whose rent includes utilities. As well, landlords can apply to the Ontario Rental Housing Tribunal for an above-guideline rent increase—more than your legal annual rent increase—if electricity prices increase by an amount greater than accounted for in the annual rent increase guideline. There's a weighting factor and a percentage. For those tenants who pay for electricity in their rent, they're going to feel the impact of the April 1 rate hike about the beginning of 2005. That's because the annual rent increase guideline for 2004 has already gone and it's still to be set for 2005. Under the current rules about guideline rent increases, what will happen is a landlord will want to have at least a year's worth of base data and a reference year to maximize, in terms of recouping their costs.

1750

Stats Canada census data also shows that 20% of Ontario tenant households pay 50% or more of their household income on shelter costs. The risk of homelessness increases where rental costs consume more than 50% of pre-tax household income for a tenant household. The median income of Ontario's renter households is less than half of the median income of homeowner households, so we're starting at a disadvantage right there.

The Greater Toronto Area Homelessness Action Task Force reported in 1999 that about 60% of all households paying more than half of their income on rent are on social assistance. The task force also reported that these households, when faced with an urgent and unexpected expenditure, are vulnerable to falling into arrears and possible eviction.

The inability to pay utilities is among the leading economic causes of homelessness. It is important to note that, compared to both the Ontario average and highest-income quintile, the lowest Ontario income quintile—there are five levels and this would be people at the very lowest end—has a far greater proportion of households that are rented—so they're renters—have electric space heating, have principal heating equipment that's more than 10 years old and have electric water heating. The net result is that low-income households in Ontario are likely

using more energy and paying more per unit of energy since they are more dependent on electricity as their fuel source and have older, less efficient heating equipment.

The increase in electricity rates in Ontario effective April 1 has increased the energy burden for low-income households that are already struggling to make ends meet. For many low-wage workers and people on social assistance and other income security programs, it will mean choosing between heating, eating and paying the rent. Clearly, decisive measures are required to ensure low-income households are able to access affordable electricity and to remove the barriers that presently prevent these households from fully participating in the culture of conservation being promoted by the government and through provisions in Bill 100.

There have been some encouraging signs that the significant impact that even a small change in energy costs can have on low-income consumers is being acknowledged. The provincial government announced on March 29 that it was providing a one-time allocation of \$2 million for an energy emergency fund and would be monitoring the direct impact of rate increases on households. These emergency funds have now been distributed to the consolidated municipal service managers. They're out there now. They got an allocation according to population etc, and low-income households will be able to access one-time assistance from the fund to deal with the payment of energy utility arrears, security deposits and reconnection fees.

The energy minister has also specifically referred to programs and initiatives targeted to low-income and other hard-to-reach consumers in his letter to local distribution companies that advised which conservation proposals would be supported by the Ontario Energy Board with respect to cost recovery. So that's a good sign.

Minister Duncan also requested another specialty legal aid clinic, the Canadian Environmental Law Association—and I believe they will be doing a deputation before the committee at a future date—to develop recommendations on actions the government could take to help low-income households cope with the rise in electricity prices immediately. CELA is also a member of the Low-Income Energy Network.

In response to this request, the Toronto Environmental Alliance, which also appeared before you today at these public hearings, commissioned a report on developing a low-income energy conservation and assistance strategy for Ontario. The report was submitted to Minister Duncan and to the Minister of Community and Social Services. I believe Keith Stewart from TEA left a copy of this report with the clerk this morning and I think copies are going to be made for you, so I didn't make copies, but I just wanted to bring this along.

While these initiatives that the government has taken to date are all positive initial steps, what is required now is action on the recommendations in this report so that a comprehensive package of programs that are specifically targeted to low-income households is put in place to

enable these consumers to reduce their consumption and costs on a long-term and environmentally sustained basis.

I hope that you will have some time to browse through this; you'll see this pyramid. On page 18 of the report, when you finally get around to it, are emergency situations at the top and down here are preventive things like energy efficiency, consumer protection and education. What we want to do is reduce the ad hoc taking care of the immediate emergency and go to long-term, sustained programs.

We're hoping that you will amend Bill 100 so that there's a recognition in legislation that there must be specific consumer protection and programs in place to ensure universal non-discriminatory access for low-income Ontario households. I realize I've left some comments out of here, or words.

I want to thank you for this opportunity to raise these issues before the committee. This report is a really good basis to start with those programs, and we're hoping to produce a follow-up report, ready to implement demand-side management programs for low-income consumers. That's what the Low-Income Energy Network is involved in right now.

I would welcome any questions, and I'm really happy to have this opportunity to talk about these issues today before the committee.

The Acting Chair: Thank you very much, and yes, we do have time for questions. I will start with Mr Hampton.

Mr Hampton: I want to thank you for an exhaustive brief on an area that doesn't receive enough attention.

Ms Todorow: That's why we thought we'd come here today.

Mr Hampton: That's good. I just want to ask your impression. The energy assistance fund that's been provided is pretty modest. We did an analysis which suggests that for every \$20 the hydro bill goes up, someone will get \$1. In other words, we don't think it's going to provide much assistance. What I find particularly disturbing is that some of the poorest people in Ontario, Aboriginal people who live on reserves, are not even eligible for this.

I just got a phone call from the chief of one of the First Nations in my riding who said Hydro One is in the community today disconnecting people's hydro left, right and centre. These people can't pay their hydro bill. They're certainly not going to be able to pay the hydro bill if the kinds of increases that are being anticipated are passed along as a result of this bill. So I guess I'd ask you this question: How urgent is it that we get some kind of low-income assistance in place?

Ms Todorow: Well, I'll tell you, the LIEN group is really worried about the upcoming heating season. That's why we're aiming toward the fall going into the new year, moving forward, hopefully, in consultation with all the affected stakeholders to get some demand-side management programs in place.

We've been very lucky. The April 1 rate price increase, I think, was chosen fairly judiciously, because it

was the end of the heating season. We've been lucky in terms of it not having been a very hot summer, although a lot of low-income people cannot afford air conditioning.

Obviously, the individual you're talking about on the Aboriginal reserve is paying directly, but as I mentioned, most low-income households are renters and most of them pay for the utilities in their rent. In fact, what we're worried about is that there's a delayed impact right now.

Mr Hampton: It hasn't been passed along yet.

Ms Todorow: Exactly. That's right. So what's happening now is it's being absorbed by the landlords who are paying that. They're being billed now at the higher rate. But what this does is give some breathing room. We don't have a comprehensive strategy put into place with all the affected stakeholders, and there is this little bit of breathing room.

I don't deny that there are people right now who are paying their utilities directly who will need to access that \$2 million, and I'm going to be very interested to see what's happening. We could probably get feedback from our clinic system. That's the amazing thing about being involved in Ontario-wide advocacy groups like the clinic system, because we hear back. The clients will come in and they'll tell them, "The money is used up. It's gone."

I just found out that the city of Toronto's rent bank—they thought that the funds they were going to disburse in a quarter were going to last all through July. They're used up. That's the only thing that was announced, the \$10 million for the rent bank fund. So it's going to be very interesting.

We all know there's going to be an impact. There's a bit of breathing space because there's this delay due to the fact that mostly low-income people are living in tenant households. It's time to move forward, particularly to acknowledge that there has to be protection in the bill, particularly for those who are most vulnerable and have a disproportionate energy burden.

1800

Ms Wynne: So the systemic solution has to be there. You said that some of the reports have been put into the ministry, but currently there are programs and regulations being developed. So my question is, how confident are you that the message has gotten through? Are you in conversation with the ministry at this point?

Ms Todorow: We are.

Ms Wynne: Because this is an issue that has come up in all of our ridings.

Ms Todorow: Through the LIEN group, we're working with the Canadian Environmental Law Association and other partners. The press release that just went around gives you an idea of who is involved in this.

The thing is, low-income people also want to contribute to the solution to our gap between supply and demand, but there are barriers. For example, right now there is a proposal from the landlords to both the Ministry of Energy and the Ministry of Housing to go to sub-metering. There are certain behavioural changes that you can make, but you reach that wall because you can't

afford to buy the energy-efficient appliance; that's the landlord's responsibility in the legislation. You don't have control over the type of windows in your unit. There are so many things. That's why all the stakeholders have to be at the table to talk about this.

Ms Wynne: Right. So on an issue like that, the protections have to be in place if we could even suggest moving in multi-residentials to sub-metering.

Ms Todorow: Oh, my goodness. Don't even go there. You need some studies. But the whole point is that there really is this acknowledgement. When the government first announced that it was going to move off of the rate freeze, the message seemed to be that you could absorb the rate increases by modest consumption, behavioural changes. But I think people have realized that that's not enough. It's a little more complex in terms of making sure that all citizens, despite their income level, are going to have access to affordable energy and can participate in the solution.

Ms Wynne: Income level and the type of housing that they're living in.

Ms Todorow: That too. That's right: their tenure. Because homeowners, for example, can have access to the Energuide for Houses program, which is at the federal level. Tenants don't have access to that type of program.

Mr Arnott: Thank you very much for your presentation this afternoon. It's my understanding that in the state of Florida, in Pinellas county, the local hydro utility sends out in the electricity bill to people's homes a solicitation in which they invite people, if they wish, to contribute money toward a fund which the utility sets aside to assist low-income people if they can't pay their hydro bills, so that their power isn't cut off.

My belief is that while the government has set aside \$2 million in this energy emergency fund, that fund will be depleted within weeks.

Ms Todorow: It's one-time, and we'll see, won't we?

Mr Arnott: Within weeks, would be my prediction.

Would you agree that the state of Florida, this utility in Pinellas county, is doing the right thing?

Ms Todorow: I would say that I don't think it should be a discretionary charitable donation. I think everyone in this province benefits from conservation measures. We all benefit from it, and I don't think it's fair that tenant households should be disproportionately contributing to that solution. And they will, because their energy burden is greater.

Mr O'Toole: I think what he actually means is that all of the residents and small businesses get the bill requesting donations which would help people who have hardship.

Ms Todorow: But it's charity. I think everyone agrees that it's good public policy that everyone have the equal ability to participate in conservation measures that we all benefit from. The environment benefits from it; the economy does—

Mr O'Toole: We agree with that. Conservation—

Ms Todorow: And there is charitable—but that's part of the problem. Not everybody contributes to charity.

Mr O'Toole: It's invisible charity when it's done through subsidies.

The Acting Chair: Thank you very much, Mary. We appreciate it.

Ms Todorow: There is a patchwork of charity programs out there. For example, there's Share the Warmth; but again, it's discretionary. It's not enough and it doesn't do the trick. You have to have a comprehensive strategy.

Mr Arnott: Would you consider the energy emergency fund to be charity as well?

Ms Todorow: I consider it a good first step toward—I consider it as we're working toward the long-term solution. I think we need to make those systemic changes.

The Acting Chair: Thank you.

ENERLIFE CONSULTING/ CANADA GREEN BUILDING COUNCIL

The Acting Chair: Our final speaker is from Enerlife Consulting, Ian Jarvis.

Welcome, Ian. You have 15 minutes to make your presentation.

Mr Ian Jarvis: Good afternoon. I'm Ian Jarvis. I am the president of Enerlife Consulting, the chair of the Canada Green Building Council and also a director of Milton Hydro. Those are the three hats I wear.

At the end of a long day the good news is, the two organizations I'm here to speak for this evening are both very supportive of the direction of Bill 100. Our interest is to provide maybe a little additional context and to focus on a couple of particular areas this body might be interested in.

The two areas we'd like to focus on—one is a study we were asked to prepare for the Ministry of Energy in 2003 entitled Making Ontario the Leader in Energy Efficiency, which in fact was a position it held in North America in the 1980s and early 1990s, which has since been lost. The study looked to bring together the economic as well as the environmental and social benefits of re-establishing that position in Ontario, which essentially would be leveraging the ground we've lost over the last decade to establish the province on a North American scale as being the place to look to for both goods and services in the energy efficiency field.

The second slide in the package, which I hope you all have, looked at the total expenditure. I'm sure by now you've heard these numbers in many different ways. As a province, excluding vehicle fuel, we spend around \$22 billion a year on utilities.

The following slide talks about the generally accepted idea that economically we can readily reduce that by at least 20%. So there's a potential \$4-billion provincial energy savings that could be achieved with something like a \$20-billion capital investment. Again, the policy document for the Ministry of Energy looked to say what would become of that capital funding and what are the opportunities the province could face if it were able to

grasp that and integrate it and use it in a productive fashion.

Again, in the brief time I've been here, I've heard you're very well aware of the economic as well as the environmental benefits, the reality that Ontario is a consuming province, not a producing province. While the focus of this group is on the electricity side, on the natural gas side, that's a far larger energy import we face on an annual basis. So the degree to which we're able to reduce our imports of energy and convert that expenditure into manufacturing and service jobs within the province, that is the primary opportunity Ontario faces with respect to its energy conservation and energy efficiency potential. The argument is that Ontario can position itself in North America as a leader in that field.

The study also looked at, where are the lowest-price kilowatt hours that are available? On the left-hand side of the chart, under "Recommendations," are renewable energy and conventional energy. On the right-hand side—and again, I know you'll be familiar with this from your week of hearings—the energy retrofits, improved standards of new construction and the whole behavioural side, the whole human side, are remarkably inexpensive approaches to achieving electricity capacity within the province. Within those, there is a very significant role that utility companies could and should naturally play.

Under "Recommendations," it talks about an integrated approach, looking at the whole energy-using sector and creating an integrated approach to both the utility side, the demand side and the user side, focused on the areas which on the previous slide are looked at as the most economical ways of creating electrical capacity: awareness and education, energy retrofits and so on.

In particular, item 5—benchmarking, metering and reporting—the utilities have such a role to play there. I'll come back to this later under a particular program of how difficult it remains still to obtain utility data in a useful form that allows building owners to take meaningful action.

Slide 7, we think, is fundamental. While we're looking at electricity, the electricity, natural gas, fuel and water areas need to be integrated. There's only one customer, and they simply don't have the patience to address each of those areas independently. So an integrated approach to energy demand-side management should look at electricity, fuel and water at the same time.

1810

Those were the conclusions that came out of the work done for the Ministry of Energy. That study is being used quite widely in terms of developing policy at this point in time. We know how to integrate those things. We know how to implement those things. There are programs in place in the community already that are making these work. What we're looking at is building upon those as opposed to creating something that doesn't yet exist.

The Mayors' Megawatt Challenge is a program under the Toronto and Region Conservation Authority's Living City banner, which has a range of energy efficiency initiatives, along with others, looking to change the trajectory of development within the greater Toronto

area. Mayor Hazel McCallion championed this program, inviting her fellow mayors across the GTA to take part and essentially to work together on municipal energy efficiency in their buildings and in their operations.

The scale of the program, on the next slide, engaged the 12 largest municipalities across the GTA, and also a few outliers in Halton, but essentially within the geographic scope of where the Toronto and Region Conservation Authority was looking. That group of municipalities represents about 92% of the population of the GTA, so in effect it's a very large response to work together on a program for saving energy. The will of the public and organizations in Ontario to work together on these issues is quite apparent.

The scope of the program looks at Web-based systems which help them to work together, looks at benchmarking energy use, brings their people together in workshops to share best practices, to share ideas, and helps them with the use of interval metering so that they can use it as a diagnostic tool as well as a load-shifting tool. It helps them work together on energy audits. Essentially, it takes what's been an individual effort to this point and allows organizations to work together toward common ends.

The following slide is a snapshot, taken from the Web site just this morning, of 10 city halls across the GTA to give a sense of the power of benchmarking. It's been remarkable how motivational it is for city officials to see where they stand relative to other cities in terms of energy efficiency as something they control, how much that can motivate them. The power of benchmarking is directly proportional to how easy it is to obtain utility information primarily through the utility companies. So this information piece, we think, is key to progress on wide-scale energy efficiency. There are already local initiatives taking place. To make that province-wide requires real involvement from the utilities, especially on the data side.

The second area, on behalf of the Canada Green Building Council, is about Ontario as it stands with respect to green building design in North America at this time. In the late 1980s, Ontario could have taken some pride in being among the leaders. We had some leading buildings and certainly some of the leading design firms at that time. That's no longer the case today.

The Canada Green Building Council is a national organization which is enjoying quite remarkable growth. From the beginning of December, it now has more than 400 organizations across the country. Interestingly, in July, for the first time the number of Ontario members equalled the number of British Columbia members and it's growing much more quickly. The interest is here in Ontario; the experience is not. At the moment, British Columbia design firms have significantly more experience in green building design than Ontario firms and are often being asked into Ontario to play the lead role in the design of buildings, such as York University's computer science building.

The Canada Green Building Council is the champion, the manager of green building development in Canada. LEED, Leadership in Energy and Environmental Design,

is the rating system, which I'm sure many of you are familiar with. It's a rating system that was really the springboard from which the United States's green building movement took off. Once people could identify a green, sustainable building, large numbers of organizations wanted them and that drove the design and construction industry to significantly improve their practices. So LEED has been pivotal in that.

LEED Uptake in Canada is described on the following slide. It's very much a movement in the west, moving east. The city of Vancouver has adopted LEED as its standard for new construction; similarly, the greater Vancouver regional district. There's a great deal of activity within Alberta and Alberta infrastructure in the city of Calgary, again to promote LEED as being its standard; and within Ontario the city of Vaughan, the York region school board and the Kortright Living City Centre, again as part of Toronto and region conservation. All of these are adopting LEED as their means of demonstrating that they both have, and can show, energy efficiency and environmental performance in their buildings.

The distribution across the country of LEED-accredited professionals and projects that are now being registered for certification is shown on the following slide—again, at this point, a strong weighting to the west but very much a movement east into Ontario and Quebec.

That leads into the recommendations, which we make both to the government and to the utility sector, in terms of supporting higher standards in new building design. As has happened in Alberta and British Columbia, within Public Works and Government Services Canada and within Quebec, adopting a LEED standard for new construction would be the most powerful thing this government could do to transform the design and construction industry within Ontario. So the LEED standard—following that example and adopting that all new publicly funded buildings will be at a certain standard—is a powerful statement to make to the industry.

Looking at that at the municipal level, we're already seeing municipalities adopting those standards and encouraging them with the developers that are working within their communities. The support that could be provided through demand side management in Ontario to federal programs in this area, we would argue, should complement, not match, and should look more at the performance end, where the federal programs tend to look at the prescriptive and the design end. Where Ontario steps into that, especially through demand side management, is to look at the actual demonstrated performance of buildings after they're built.

In conclusion, we would argue—as you've heard and as I know you all believe—that energy efficiency and renewable energy can be very positive for Ontario as a job creator as well as an economic step forward and an environmental improvement. Utilities are a natural channel to market and are natural allies within that cause. An integrated approach is key; the electricity, gas and water utilities need to be working together on this. There's one customer, and they look for a single service. The role of utilities here is to enable that market, to enable the transition to an energy-efficient Ontario economy.

The Acting Speaker: Are there any questions?

Mr Hampton: This is a very good brief, but do you have more statistical, financial evidence on any of this?

Mr Jarvis: The report entitled Making Ontario the Leader in Energy Efficiency is available at the Ministry of Energy and is being used widely by them for that. All the backup data is within that; it's a fairly large report. Similarly, the programming I referred to is available on the three Web sites I've referenced in the last slide, so there's a lot more information there.

Mr Hampton: Good. Thanks very much.

The Acting Speaker: Thank you very much for appearing before the committee, Mr Jarvis.

The committee stands adjourned until we meet on August 23 in Windsor.

The committee adjourned at 1817.

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Official Report of Debates (Hansard)

Monday 23 August 2004

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Lundi 23 août 2004

Standing committee on social policy

Electricity Restructuring
Act, 2004

Comité permanent de la politique sociale

Loi de 2004 sur la restructuration
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STANDING COMMITTEE ON
SOCIAL POLICYCOMITÉ PERMANENT DE
LA POLITIQUE SOCIALE

Monday 23 August 2004

Lundi 23 août 2004

The committee met at 1002 in the Huron Room, Hilton Windsor, Windsor.

ELECTRICITY
RESTRUCTURING ACT, 2004LOI DE 2004 SUR LA RESTRUCTURATION
DU SECTEUR DE L'ÉLECTRICITÉ

Consideration of Bill 100, An Act to amend the Electricity Act, 1998 and the Ontario Energy Board Act, 1998 and to make consequential amendments to other Acts / Projet de loi 100, Loi modifiant la Loi de 1998 sur l'électricité, la Loi de 1998 sur la Commission de l'énergie de l'Ontario et apportant des modifications corrélatives à d'autres lois.

The Chair (Mr Jeff Leal): I'd like to bring the standing committee on social policy to order. I'd certainly like to welcome the Minister of Energy, Dwight Duncan, who is with us this morning.

I want to particularly thank my colleague Kim Craiton, who filled in for me during the week of August 11. As some of you may know, we had a devastating flood in Peterborough on July 15. I'm the member for that riding, and we've been busy dealing with that issue for the last number of weeks. So I do want to thank Mr Craiton for his fine job of filling in during the week of August 11.

CORAL ENERGY CANADA INC

The Chair: The first group presenting to us this morning is Coral Energy Canada Inc. I'd welcome them to come forward at this time. Is it Mr Baden?

Mr Greg Baden: Yes.

The Chair: Welcome, sir. You have 15 minutes. In any time that's not taken by your presentation, we'll have questions.

Mr Baden: I guess to start, Mr Chair, Mr Minister, I'd like to thank this committee for the opportunity you've given Coral to come today and share our views on Bill 100. I have prepared a short presentation. I did provide copies, and I hope you have those.

Before starting right into the presentation, I would like to commend the government on the very open, consultative, stakeholder process that has been going on with Bill 100. We certainly have had an opportunity to express our views in direct sessions, and this is definitely appreciated.

To get started, if I don't lose my computer here, I'm just going to follow along on some notes I've made. I'd like to refer you to the first slide, which is entitled "Coral in Ontario." It just gives you some background on who Coral is and the type of business we are doing in Ontario. We are a significant gas and electricity player; initially gas, and now becoming more and more of an electricity player.

We chose to speak to this committee today in Windsor because of a very special connection we have with Windsor: the Brighton Beach power station, which started operation in July. Coral essentially backstopped the investment by the partners in Brighton Beach to make that power plant happen, to cause it to be built. It's something that we spent quite a bit of time in getting here.

Later today, there is an opportunity for the committee to tour that plant, and we're certainly looking forward to that. I think it provides an opportunity to see the kinds of generation facilities that could be built in Ontario. It being a combined-cycle gas-fired power plant, it is perhaps a new generation of new power plants in Ontario. I think participating in that power plant has given Coral some very unique perspectives on the Ontario market.

Going on to slide 4, our concerns with Bill 100: I think the government's stated objectives have been to encourage the development of a new, reliable supply; to promote the culture of conservation to lessen the impact on the environment of generation; to produce stable prices for small consumers, ensure large consumers benefit from a competitive market, and enhance the competitiveness of electricity pricing in Ontario.

My comments will focus on what it's going to take to encourage private investment in the electricity sector in Ontario. It has been further stated that Ontario needs an investment of between \$25 billion and \$40 billion over the next 15 years. As things stand, private investors have shown a reluctance to invest in new generation. The question is, what will it take to get investors willing to accept the risk of new generation?

One of the initial concerns we have is the commitment to a competitive market, and other concerns are related to the role of the OPA and the future of OPG.

Bill 100 proposes to delete from section 1 of both the Electricity Act and the Ontario Energy Board Act the words "to facilitate competition." This is perhaps the wrong signal at this point in time to send to an already

nervous market. Competition can be a powerful tool for increasing market efficiency and consumer benefits.

Recognizing that competition should not be an end in itself, we will be suggesting some changes to the proposed act that would try to strengthen competition to make it effective, particularly around trying to promote a competitive market through the IESO.

Another suggestion is the concept of an independent market adviser, which we have seen work very well in other markets. An independent market adviser is very similar in function, if I can draw the analogy, to an independent financial auditor for assessing public companies. It provides, and we have seen it provide in other markets, positive suggestions for improving the effectiveness and efficiency of those markets.

I'm sliding through this package of slides. I want to now refer to the Ontario Power Authority.

1010

In terms of the Ontario Power Authority, we do have concerns with its role, and particularly we'd like to see it act as the initiator or instigator of last resort on the build of new generation. The mandate of the OPA has to be designed such that it does not dampen or prevent competitive supply responses or conservation initiatives.

Further, we'd like to see encouragement given to a competitive capacity market that perhaps eventually would make the role of the OPA redundant and allow competitive market forces to provide that important signal when new generation is required.

One of the aspects of a healthy market is that you have many buyers and many sellers participating in that market. On the supply side, it's important to promote competitiveness in that market. Certainly, the recently announced draft regulations in terms of limiting the size of the regulated portion of the market to five large hydro stations and the two OPG nuclear stations at Darlington and Pickering are certainly seen by us as being very positive. We want to see as large a competitive market sector as possible in Ontario to ensure that we do have many sellers.

Further, we would like to see changes to the clean energy supply contract so that, in addition to providing the one-time opt-out option, suppliers could be given the ability to opt out for a limited period of time to try to support the development of a forward market in Ontario where buyers and sellers can enter into one- or three-year contracts for the purchase and sale of electricity. The supplier could then opt back into the contract if the forward market is still not as liquid as we all would like. The idea, and what we're trying to do, is to promote some activity in that forward market to encourage suppliers to go out and sell forward to industrial buyers or commercial buyers on shorter periods of time. The existing one-time option is not going to incent suppliers to give up the security of the clean energy supply contract for a relatively short period of a fixed-price forward contract.

On the demand side of the market—I'm moving on to about the ninth slide—it's crucial that in terms of having

many sellers there are also many buyers and those buyers are actively participating in the market. We certainly would encourage that any stable regulated rate plan be limited to as few consumers as possible. In order to give consumers the type of information they need to make informed choices, the bills they get should clearly identify what is the cost of the commodity, what the service charges are for transmission and distribution, and what the regulated asset benefit is. Making that full price visible to consumers is very important in terms of encouraging conservation or, at least, encouraging consumers to begin to modify their behaviours.

Moving on to comments on Ontario Power Generation, there has always been a concern in this market about the size and potential domination of Ontario Power Generation. When I look back at the decision we made to commit to Brighton Beach, there was considerable discussion on our side in terms of what would OPG's role be and how would they behave in this market.

Steps should be taken to deal with the potential domination of the competitive market by OPG, and the separation of regulated and competitive assets to ensure that there is not cross-subsidization between the regulated activity and the competitive activity.

Restricting OPG's role to purely a wholesale supplier is important, and I think participation, again—and I keep stressing this—in the forward market is very important. OPG can support the development of a forward market by offering contracts to industrial consumers, to commercial consumers, to marketers, who can then in turn offer smaller contracts to retail consumers.

There is a concern in terms of potential participation by OPG in the RFP. I think at a time when Ontario is trying to encourage new private investors to enter into this market, seeing OPG participating in the RFP is not a strong positive signal.

In concluding my remarks, recognizing the situation in Ontario today, it is necessary, in order to attract private investment, to provide some support in terms of what the RFPs for both renewable and the 2,500 megawatt are offering, but we hope that there can be a transition from a market where consumers and taxpayers are taking the majority of risk for new generation to a market where private investors are willing to come in and assume that risk.

When we first assessed this market, we took on a commitment and assumed the risk, looking forward to participating in a competitive market. For various reasons, we haven't got there. I don't want to spend any time dwelling on that. Looking forward, we are hoping that we can see this market develop to the point where there's enough competition that investors are willing to invest on their own. So in terms of ensuring that, clearly we have to continue to focus on the development of a competitive market, and the role of the electricity system operator is crucial in doing that. We have to ensure that the OPA becomes the instigator of last resort and does not discourage private investors from coming forward and investing. Clearly, looking at and developing a

capacity market would be a very important way of encouraging private investment. Finally, encouraging many buyers and many sellers in this market is crucial in creating the kind of activity that is necessary.

That concludes my remarks, Mr Chair.

The Chair: Thank you very much, Mr Baden. We have one minute for questions.

Mr Ted Arnott (Waterloo-Wellington): Thank you, Mr Baden, for your presentation today. I want to focus in on one issue that you talked about. You pointed out that the government is seeking to amend the Electricity Act and the Ontario Energy Board Act to delete the words “to facilitate competition in the generation and sale of electricity and to facilitate a smooth transition to competition.”

I'm pleased that the minister is here today and perhaps he can clarify this, but I would presume that the government would tell you that they still support a continuation of the former government's policy, at least insofar as ensuring that there is competition in the generation of electricity. That being the case, it seems very curious and puzzling as to why they would want to delete this. I think you're quite right to highlight it and suggest that it adds perhaps another element of uncertainty for companies that are considering investing.

Can you tell me what it cost to establish the Brighton Beach facility and, given current market conditions and current government policy, would you do it again?

Mr Baden: I think we would do it again. Again, it very much will depend on the signals that come out of Bill 100 and the steps that are taken in terms of the regulations.

Mr Arnott: But it was tens of millions of dollars, I assume, that you—

Mr Baden: I think you're missing a decimal point. I think you're talking hundreds of millions of dollars. In terms of the competition, I would definitely agree with the government on this, that competition is not an end in itself, it's a means, and that the objects that were originally proposed perhaps should be changed or revised to say that competition is important in promoting economic efficiency and consumer benefits. Competition in itself is not the important thing, and we will be offering words to that effect.

Mr Arnott: Is my time up?

The Chair: Your time is concluded, Mr Arnott.

Thank you very much, sir; we appreciate your presentation.

1020

JOE COMARTIN

The Chair: Next, I'd like to ask Great Lakes United to come forward. Mr Stack, please.

Mr Comartin, if Mr Stack isn't here, are you prepared to—

Mr Joe Comartin: Yes, I am, Mr Chair.

The Chair: Good morning, sir. Welcome. I know you're the very distinguished member of Parliament for Windsor-Tecumseh.

Mr Comartin: Mr Chair, I'm also the past critic for my party at the federal level in both environment and energy. I spent a great deal of time in the last Parliament at the federal level dealing with the Kyoto Protocol and the impact it would have, if implemented, on a number of our economic sectors in this country.

I wanted to come forward today to discuss—strange as this may be, given that I'm from a different party—the parts of the legislation that deal with conservation. It seems to me that the provision for the Conservation Bureau and the provision for a conservation officer as a significant player in OPA is a step forward.

I also want to encourage, through this committee, the people who will eventually be in charge of OPA to be looking very closely at active co-operation with the federal level. The federal government has initiated what they're calling in the conservation area under Kyoto the one-tonne challenge, calling upon all Canadians to reduce their use of energy to the point that would save one tonne of emissions in the consumption of fossil fuels.

That hit a bit of a roadblock. I just want to update this committee on this. In the spring of this year, they were to kick off that program in a much more significant way by way of education and promotion—some traditional PR work, but mostly education and promotion right across the country. As a result of the—to raise a sensitive subject—scandal around the use of advertising dollars, the funds that had been set aside for that, which were some \$45 million over a three-year period—all of the money was suspended; none of it could be spent. That's still the case, as far as I know. I've been out of the country a bit in the last few weeks, and I believe there's been no change in that. So the one-tonne challenge has not moved ahead at the federal level to a significant degree because of that problem. As a result of committee work that the environment committee did, the indication we got was that it will be moving ahead in the fall.

As I say, what I came today to do was to encourage the provincial government in Ontario, being the biggest market, to be actively involved with the federal government in the implementation of Kyoto, and specifically on the conservation side, to move toward the goals that have been set under Kyoto for the country as a whole and that part of it that applies specifically to Ontario.

The second point I wanted to make today is that—again, from some of the experiences I've had and some of the investigations I've done over the last few years—there is a need or a requirement, if conservation is in fact going to be a significant part of reducing the consumption of fossil fuels and of reducing the use of electricity and power generally in the country, for an active involvement by all levels of government, and I'm going to suggest in two ways. I would hope and expect, as we see the annual reports coming from the Conservation Bureau, that they would be looking at these areas.

These are the two areas: Conservation will not work unless the suppliers of energy are required to meet certain percentages of production. As part of that, they have to demonstrate where they've been able to encourage

consumers to reduce use. It flies in the face—I was listening to Coral just before I came up—of the free-enterprise capitalist system to do this, but from a governmental standpoint we have to be prepared, through regulatory power, to encourage private suppliers to conserve and to press consumers to conserve.

The other area that I believe requires government involvement is government procurement of services. When I'm speaking about this, I always speak of the initiative I saw in the city of Calgary. This was in the form of alternative energy, but the same could be said of methods that could be implemented for conservation. What they did there, in combination, was that the city, the local utility services and their rapid transit service contracted for wind power to supply the energy to the rapid transit service exclusively. In fact, they're about to double that over the next several years; the contracts are just being negotiated now.

I believe the same type of approach could take place at various levels of government on the conservation side. It has generally been used on the alternative energy side of the equation, but I believe it could also be used on the procurement side. Take the federal government: When we're negotiating for energy sources for our buildings across the country, in those contracts we would require the suppliers of that energy to meet a certain standard to conserve energy. So if we're going to buy 100% of the supply from them, they have to show that by using conservation methodology and encouraging the consumer to conserve, they will in fact reduce the amount of energy being used. I believe that federal, provincial and municipal or local authorities can use their procurement power to encourage suppliers of energy to determine methodologies and procedures that will conserve energy.

I believe those are the points I wanted to make. I'm open to any questions.

The Chair: We have about seven minutes for questions. This time I'll start with the government side, if they have any questions, and then I'll go the NDP and the Conservative caucuses.

Mr Ted McMeekin (Ancaster-Dundas-Flamborough-Aldershot): Mr Comartin, we really appreciate your coming. As one who shares your vision of the potential for conservation, I think it's really important that we actively look at ways to partner there.

I'm particularly appreciative of your suggestion that the two levels of government need to be working together. Is there some vehicle, mechanism or entree that is obvious to you, which maybe we're not aware of, that you might share with us?

Mr Comartin: Yes. The way the Kyoto Protocol is slated to be implemented in Canada requires agreements with the private sector but also with the provincial and federal governments to enter into it. Up to this point, Ontario has not entered into those. Again, to be partisan, I think a good deal of that was the reality of the friction that existed on many levels between the former government in Ontario and the federal government in Ottawa. I expect that is improving. I know the negotiations are

ongoing, and conservation would be part of that. In effect, Ontario would be hearing from the federal government: "We expect you, as a provincial government, to meet these levels."

They've signed agreements—Manitoba was the first, understandably, because Manitoba's consumption of energy is highly based on hydroelectric power, and they were quite capable of meeting the standards the federal government had set for that particular province. I believe there have been some preliminary agreements with one or two of the Maritime provinces and the territories, but those are preliminary. I believe Manitoba is the only one that has entered into a full agreement. The Ontario minister may know this better, but I believe Ontario is in the course of negotiating. That would be the entry point. It has been unfortunate that the negotiations haven't progressed more rapidly. Hopefully, if they had, we would actually have begun to implement.

1030

Mr McMeekin: We need to get on with it. I would just point out that when we were in opposition, as you probably know, we presented an opposition day motion supporting Kyoto and were very keen then, as I think we are now, to get on with the nuts and bolts of that. Thank you for those points.

The Chair: Minister, did you want to quickly respond?

Hon Dwight Duncan (Minister of Energy, Government House Leader): Yes. The government is clearly on record as supporting Kyoto, and those negotiations are ongoing. I should point out that when we achieve our coal goal, that will meet almost 80% of Ontario's entire Kyoto undertaking.

The Chair: Ms Wynne?

Ms Kathleen O. Wynne (Don Valley West): The issue of Kyoto and the co-operation of the different levels of government is going to be addressed at a government level, but I think also riding by riding. One of the things happening in Don Valley West in Toronto is that John Godfrey, who is the member, and I and city councillors are working on a grassroots project. I think the education campaign that's needed is going to have to start from the bottom up; it's not all going to be able to come from the top down. I wonder if you could comment on the need for a riding-by-riding strategy in terms of these conservation measures.

Mr Comartin: I was aware of Mr Godfrey's approach. He was sitting on the environment committee before the last election as we were going through these hearings, trying to figure out just where Kyoto was going and how rapidly it was being deployed. So, I agree with you.

In fact, I had some quite serious concerns about this sort of advertising, PR type of campaign. To be blunt, I thought the information we were being given at that point was almost to the point of being offensive in the sense that it presumed a total lack of knowledge on the part of the average Canadian citizen. From my own experience, I know that anywhere from children at the elementary

level all the way up to adults are much more knowledgeable, as a society, about what we need to do to conserve.

I think the type of endeavour that Mr Godfrey was attempting, and I guess your involvement, as well as municipal, is one that has to be done. The problem with the one-tonne challenge is that it almost assumes everyone as an individual. But if, for instance, you have four or five people living in your family unit, that means it's a four-tonne or five-tonne challenge for that residence. So it's really ambitious for people living in that kind of a family unit. I think bringing it down to the local level is really important.

Ms Wynne: Our experience in Don Valley West is that people are willing and eager to participate. They just need the tools. They need to know how to do it.

Mr Comartin: Again, this is why I found the rollout of this program offensive. The implication was that society generally is ignorant, and I think the support we got for Kyoto across the country—the polls showed that Canadians in the 70 to 75 percentile range understood what it meant. It showed they in fact were interested and knowledgeable. What they needed were mechanisms to do the implementation.

So the ad campaign was really offensive, because it was going to assume they didn't know anything and sort of had to be taught. That's not where it's at. I believe that right across this country—and I've travelled the whole country on these issues—people are knowledgeable and prepared to do things, and they need to have the mechanisms in place to do it.

Ms Wynne: I agree with you. Thank you.

The Chair: About one minute. Mr Marchese, do you have a question?

Mr Rosario Marchese (Trinity-Spadina): Sure. Thanks, Joe. Just a quick question on the suggestion of procurement, the idea of requiring suppliers to meet a standard to conserve energy: It appears to me that speaks to the role of government, obviously, and it would be in contradiction to what Mr Baden was saying, where, obviously, people like him would recommend we have a competitive market force that should prevail. How do you deal with that?

Mr Comartin: Well, you're going to hear this some later from some of the other presenters, but the whole issue of the private-public conflict, private sector versus public sector—I just believe there has to be a major regulatory role played by the public sector and, in many cases, outright ownership. In many respects, I don't have a lot of support for Mr Baden's position of allowing the private sector and the marketplace to control. We can go right across North America, you can go all through western Europe where that's been attempted; it has almost universally been unsuccessful in achieving the goals we've needed. In those markets, which are very similar, obviously, to ours, the regulatory function had to be very strong, and in most cases it required outright government ownership of the services.

The Chair: Thank you very much, Mr Comartin. We appreciate your presentation this morning.

BRUCE POWER

The Chair: I again ask if Great Lakes United is here.

If not, I'd now like to ask Bruce Power to come forward. Mr Hawthorne is the chief executive officer of Bruce Power.

Mr Duncan Hawthorne: I'm just waiting for the handouts to be distributed.

The Chair: I think that's been completed, sir. You can commence, and you have 15 minutes.

Mr Hawthorne: Good morning, everyone. Thank you for the opportunity to take part in today's proceedings. My name is Duncan Hawthorne. I am the president and CEO of Bruce Power, which is Ontario's largest independent electricity generator.

At the outset of these hearings, Minister Duncan spoke to you about the importance of this legislation, which he said was not bound in ideology but based on what would work. I was encouraged by those words, for it's time we looked at realistic solutions to the challenges that face us. Whenever energy policy gets tangled in politics, potential investors get nervous and tend to sit on the sidelines. We can't afford to wait much longer. Clear, strong regulations that will outlive the mandate of any one government are needed right now if Ontario is to create an attractive investment climate and overcome its supply-demand imbalance.

That's why I generally applaud Bill 100. As a member of Ontario's Electricity Conservation and Supply Task Force, I'm pleased to see this bill reflect many of our recommendations to achieve a balanced energy supply from a variety of technologies. The task force was a knowledgeable and inclusive panel that delivered practical and thoughtful proposals. It's gratifying to see that that work was valued.

One of the many items to emerge from the task force report was a recognition that nuclear power must play a crucial role in an energy landscape that also embraces both conservation and renewables.

While I represent a growing company within the nuclear industry, I'm not here to say that atomic power should dominate this market. I believe deeply in the need for a mix of technologies. However, the true story of nuclear power has become so distorted by myth that a genuine debate of its potential is hard to conduct.

For example, we have the recent claim from an anti-nuclear group that Ontario's nuclear fleet limped along with a capacity factor of only 54% in 2002—a far cry from the true figure of 82%. In fact, our capacity factor at Bruce Power in the last quarter was 92%, and in 2003, our units 6 and 7 ranked among the world leaders, with capacity factors of more than 97%.

1040

When you scratch the surface of this group's distorted data, you discover they were taking units that had been laid up for many years and counting them as zero in their calculations. That's a bit like counting the number of goals scored by a player who sat out the full season with an injury and then criticizing his lack of production.

Who is served by this kind of misinformation? What we need is an honest portrayal of every technology so we can arrive at the proper, sustainable mix. Another task force finding was the immediate need for increased public education on energy matters. Bruce Power strongly supports that notion if it fosters true understanding.

The reality is that nuclear power is the workhorse of Ontario's electricity system. It powers almost half of the homes and factories in the province and emits none of the gases that contribute to greenhouse global warming. It's also improving. Since assuming operations of Bruce Power, we've not only set new industrial safety records, we've increased our electricity output from 20.5 terawatt hours in 2001 to 24.5 in 2003. After investing \$720 million of private money to restart two laid-up units, we're on track to generate approximately 34 terawatt hours in 2004. In the space of one year, that means we will have generated nearly 10 terawatts of clean electricity that otherwise would have come from fossil fuels. To give you an idea of what 10 terawatts look like, that would be sufficient energy to empower the entire city of Windsor and the surrounding area for a full year. That's equivalent to removing more than six million tonnes of CO₂ from our skies, or the equivalent to removing one million motor vehicles.

Another myth which was hinted at during some of the earlier submissions is that private companies like Bruce Power are merely profiteers, here to drive up the price of electricity so we can generate huge profits and deplete our assets. That's not only false, it's offensive.

First of all, nuclear units are baseload generators that do not set price. We are price takers in this market and have not for one second established the price of power in Ontario. Second, any revenues we have generated thus far at Bruce Power have been reinvested right back into our plant. Consequently, we remain a reliable supplier and a major contributor to stable pricing. But we're also facing the possibility that all of our units will reach the end of their operational lives by 2018 if an investment environment to finance their refurbishment is not created. Gas companies say they can fill the breach, but the rising trend of natural gas prices means that every megawatt of nuclear power replaced by gas will put upward pressure on the price of electricity we all pay. That's why we are looking to Bill 100 to provide the clarity and stability that will allow us to consider future restarts, refurbishments or even new build. With that in mind, let me run through a few thoughts on the legislation as it currently stands.

Like many groups that have appeared before you, we are seeking additional clarity on the accountabilities of the various agencies within the bill. We need to understand the full role of the Ontario Power Authority. We're looking for assurance that it will remain an arm's-length agency with the authority and freedom to negotiate appropriate, long-term contracts with generators.

As a price taker, we require a better understanding of the price-setting mechanisms that will emerge from this latest round of reform. We rely on the market for our revenue stream. The spot market is simply too un-

predictable for generators whose costs are largely fixed, like our own. We need to match our costs with stable revenues from contracts in a market that continues to be liquid and viable, contracts that offer secure prices and match our long-term investment horizon.

With the legislative details still to be worked out, we wonder if the real market value of electricity will be distorted by having a large slice on the supply side covered by rate regulation and another by contracts with the power authority. We need to analyze where Bruce Power fits within such a market. We need to know how the power authority will structure its contracts and whom we will compete with in the future. As always, we embrace the notion of competition, but look for assurance that the playing field will be level so no generator will be disadvantaged because it wasn't offered a power authority contract.

We look to the government to be thoughtful as it drafts the regulations to support this bill and answer the questions I have posed. Those regulations will have a crucial impact on the viability of the market, and the government must guard against any unintended consequences that could shake confidence in the system.

Like any investor, we are wary of the prospect of ongoing government interference. When we first came to Ontario, our assumptions were that we were making a major investment into a company that would operate in an open and competitive market. That changed with the appearance of the price freeze and the disappearance of half of our market and potential counterparties. While we coped with these changes, the technology we employ and the fixed nature of our costs can put us at the mercy of an ever-changing market. Stability is the key word for us.

There is a clear intent in the bill to create a favourable climate for new investment. While this is to be commended, it is also important that the legislative changes are not introduced in a way that is detrimental to those investors who were early movers and who have done much to improve the supply position in Ontario. Since Bruce Power was created in May 2001, we have invested more than \$1.8 billion into electricity generation assets in Ontario, investment that has resulted in an additional 1,525 megawatts of installed capacity and an increase in Bruce Power's energy output of 13.5 terawatt hours in 2004 compared to 2001. To put that in context, 13.5 terawatt hours is just shy of 10% of Ontario's annual electricity consumption.

We are proud of these achievements in improving Ontario's electricity supply situation and want to make sure that generators like us who made early commitments to the Ontario market are not penalized unfairly by this new legislation. As Minister Duncan has already told this committee, this is our time to get things right.

Looking to the future, we are faced with some key decisions at Bruce Power surrounding the potential restart of Bruce A units 1 and 2 and the refurbishment of our four Bruce B units. Despite the rhetoric by some activists, it is worthy to note that a recent poll conducted by Ipsos-Reid shows 67% of Ontario residents to be

supportive of nuclear refurbishment. Indeed, our own initial study of these projects suggests that the restart of units 1 and 2 and the refurbishment of our Bruce B units could be very cost-competitive options, but neither investment will take place against the backdrop of a short-term contracts market. For our investments to make sense, we will need contracts that are long enough to match our investment time horizons and robust enough to offer fair returns.

A robust power purchase agreement will be dependent on the actions of the Ontario Power Authority, which in turn will rely on consumer rates that are determined via the Ontario Energy Board. For the sake of securing future supplies, it is vital that an accurate understanding of these issues surrounding nuclear expansion exists by all parties in that chain.

In conclusion, we're not here to ask for changes to any specific pieces of Bill 100; rather, we are emphasizing the need to be thoughtful in drafting regulations to implement the bill's intentions. Through this legislation, the province has a great opportunity to secure its historic, competitive energy position well into the future. As we see it, Bill 100 is essential if there is to be the long-term, strategic investment needed to achieve that goal.

Thank you very much. I'd be pleased to take any questions.

The Chair: Mr Marchese, please. You're up first on this round.

Mr Marchese: Mr Hawthorne, you talked about having "a recognition that nuclear power must play a crucial role in an energy landscape that also embraces both conservation and renewables." What kind of mix do you envision there? How much conservation do you think we should be doing, and renewables? How much do you think that should consist of?

Mr Hawthorne: Obviously, the rule of renewables will be heavily biased on other mixes. For example, if renewables are to be in the form of wind power, then you get into a situation of, because of the variable output from wind generators, then you have to think of a balance. I would tell you, in terms of stability, if we're taking coal out, then you have to think of a balance which has probably no more than 10% renewables because without that, you need a lot of reserve capacity to be available whenever the wind doesn't blow.

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Mr Marchese: And conservation?

Mr Hawthorne: On the conservation front, if you look at the most ambitious demand-side management initiatives, you're looking for it, at the very least, to hold demand growth, which would mean you would have to do about 1.6% per year of conservation measures. Ultimately, you're looking to reduce the load by maybe 5%. That would be very ambitious but, I think, doable.

Mr Marchese: Nuclear should represent how much, in your view?

Mr Hawthorne: Right now, nuclear is representing, by installed capacity, about 43%, but, by energy, it's probably close to 60%. My view, in an ideal market, is

that that shouldn't increase. I'm not, as I said in my remarks, a "let's take over the world" nuclear person.

Mr Marchese: But you could try.

Mr Hawthorne: Well, I'll always try. The reality is, too much baseload nuclear isn't healthy for the market either, so I certainly wouldn't suggest that it ever be more than 50%, because you need the flexibility that other generators provide.

Mr Marchese: What do you make of the fact that Germany has announced, I think a couple of months ago, that they're getting rid of nuclear altogether? I forget the time frame, but they're getting rid of nuclear. Are they nuts, or what?

Mr Hawthorne: Announcing it and doing it are two very different things. I can tell you that I've spent a lot of time at international conferences. I was at an international conference in Germany not so very long ago. Most of the utilities will tell you that they support, as I do, the increasing renewables' role. But they can do the math the same as everyone else, and they cannot meet their energy needs by closing their nuclear plants; it can't be done. What it does is it certainly lights a fire under the initiatives for renewables, which, as I say, I don't see as a bad thing, but if you ask me honestly, I don't think they'll get there because it's such a big contributor.

Mr Marchese: But it's very ambitious, isn't it?

Mr Hawthorne: Yeah, but it's driven by ideology, too.

Mr Marchese: Ah, that's the problem.

Mr Hawthorne: Well, sometimes, like all of these things, an energy policy has to be a 20-year landscape within a four-year mandate. That's the challenge: All elected officials have to lay out a long-term vision in a short-term mandate.

Mr Marchese: Could I ask you a question about restarting—

The Chair: Mr Marchese, we're just about out of time. Quickly, your question.

Mr Marchese: I was interested in your opinion about restarting the various nuclear plants. In July, Minister Duncan said that the cost of restarting the second reactor, unit 1, at Pickering would be \$900 million—four times a 1999 estimate of \$213 million. What do you make of these costs? In your view, is it competitive; it's all right; it's not too high? Should we be looking at something different if the costs are so staggering?

Mr Hawthorne: Like all of these things, I think there has to be a competitive assessment done against other forms of generation. We're doing an assessment of our units 1 and 2 right now. I look at it and say that each unit is 750 megawatts. I'm looking for a refurbished unit to run for 25 years. I do a calculation of the costs associated with that, and I can estimate what the cost of power coming from that plant would be. I then compare it with the cost of alternatives, and if it's an economic case, then I've got an investment case. I can't speak to the Pickering one, but I'm pretty certain the same calculations are done. If I've got renewables coming into the market at \$85 a megawatt hour and I can bring my units in at \$60 a megawatt hour, why is that a bad deal?

The Chair: Thank you very much, Mr Hawthorne. We appreciate your presentation.

CITIZENS ENVIRONMENT ALLIANCE OF SOUTHWESTERN ONTARIO

The Chair: Next we have the Citizens Environment Alliance of Southwestern Ontario. Mr Coronado is making the presentation.

Welcome, sir.

Mr Derek Coronado: Good morning. My name is Derek Coronado. I'm with the Citizens Environment Alliance of Southwestern Ontario. Thank you for the opportunity to make a presentation this morning.

The Citizens Environment Alliance of Southwestern Ontario is a regional, independent, non-profit, environmental research and education organization based in Windsor, Ontario. The organization is otherwise known as the CEA. The CEA has had a long-standing interest in power generation and its impact upon the environment of this region.

The main feature of our regional ecosystem, which you can see outside if you look out the windows of this hotel, is the Detroit River. The river is a major connecting channel of the Great Lakes, along with Lake St Clair and the St Clair River; the source of drinking water for many people in this region; and the foundation of the culture that has developed in this area since European colonization.

The Detroit River and the Great Lakes have been used and abused over the years in order to generate electricity. Some of the local examples of power generation include the downstream Detroit Edison (DTE) Monroe, Michigan power facility, which is the largest single source of air pollution in Michigan. Along the Detroit River are additional fossil-fuel-burning plants, including Trenton Channel, Rouge River and the Brighton Beach power station in Windsor. Also nearby, of course, is the Lambton generating station located upstream of here, south of Sarnia, which is the second-largest single source of air pollution in Ontario.

Environment Canada has given Windsor the dubious title of smog capital of Canada, and the Ontario Medical Association, through its study entitled "The Illness Costs of Air Pollution," has estimated for this past year 73 premature deaths as a result of poor air quality in Essex county, with hundreds more subject to emergency room visits and hospital admissions.

Major change is needed in the electricity structure in order to accomplish environmental improvements throughout the province—not only in this region. The CEA is pleased that the government has so far maintained its commitment to phase out coal-fired power in the province by 2007—a commitment shared by all the major parties in the last election, although with varying timetables. The CEA appreciates that the government has committed to obtain 5% of Ontario's electricity supplies from new renewable energy by 2007, and 10% by 2010. A commitment was also made to meet 5% of demand

with conservation efficiency measures by 2007, and 10% by 2010.

However, the CEA believes that the government is moving too slowly while attempting to achieve very conservative green energy targets. The request for proposals for 300 megawatts of renewable energy with in-service dates between 2006 and 2007 has yet to be expanded or advanced, despite the expressions of interest received that totalled approximately 4,400 megawatts of capacity.

The other bidding process for 2,500 megawatts of new generating capacity and/or conservation measures with in-service dates between 2005 and 2009 also, we believe, is a relatively slow and conservative program.

The CEA is concerned that the cautious approach that the government is taking with green energy programs will diminish our electricity options such that the province will continue with its excessive reliance on nuclear power and fossil-fuel-burning stations.

The energy minister's recent approval of a restart of a second reactor at the Pickering A nuclear station is an obvious contrast to the government's green energy program. The cost of refurbishing Pickering has been staggering and well documented. The CEA is concerned that continued expenditures on nuclear reactors in this province would impede the development of green energy programs. In order to promote a balanced mixture of conservation and generating technologies in the province, reliance on coal and nuclear power must be reduced.

There have been a number of studies published by independent non-government organizations examining Ontario's electricity system. I know the standing committee has received some of these presentations, and some of these reports have already been submitted. I'll just briefly mention one of these.

These studies show that a balanced and reliable electricity system is one that is based upon conservation and efficiency programs and renewable energy. Recently, the Canadian Environmental Law Association and the Pembina Institute published "Power for the Future: Towards A Sustainable Electricity System for Ontario." The main conclusions of these studies were that electricity consumption could be reduced by 40% by 2020; renewable energy could provide 30% of supply by 2020; residual requirements of 4,500 megawatts by 2020 could be met by high-efficiency cogeneration gas plants; a total investment of \$18 billion would be needed; and the savings would be accomplished through the adoption of commercially available energy-efficient technologies, additional cogeneration in the industrial, commercial and institutional sectors, and fuel switching for space and water heating in the residential, commercial and institutional sectors.

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The financial cost developed by the model from this study, although high, compared favourably to the \$32 billion required to build new nuclear stations to provide the same amount of power saved through the green energy scenario. The cost scenario developed in the study

also compared favourably with the nuclear-dependent \$39-billion program proposed recently by the Electricity Conservation and Supply Task Force. In fact, that proposal was put forward in January 2004.

The design and operation of the electricity supply system in this province has major implications for the health and safety of residents and for the quality of the province's environment. The public health and environmental implications of the province's electricity supply system must be clearly recognized in Bill 100. The protection of public health, safety and the environment as a fundamental goal of the design and operation of Ontario's electricity system should be included in the "purposes" section of Bill 100. The protection of public health, safety and the environment should also be incorporated into the mandates of agencies created by or affected by the bill.

The bill does not sufficiently recognize the importance of conservation and efficient use of electricity. For example, the use of the term "to encourage" instead of "to promote" conservation and efficient use of electricity, in section 1 of the "purposes" section, downgrades the importance of conservation and efficiency. Conservation efficiency and the use of renewables are minimized in the direction given to the Ontario Power Authority by the bill.

The bill also proposes to remove existing references to the promotion of energy conservation, efficiency and cleaner energy sources from the mandate of the Ontario Energy Board: Ontario Energy Board Act, section 1, paragraph 6.

A sustainable ecosystem approach should be taken toward directions given to agencies by the bill. A sustainable ecosystem approach would, first, maximize energy efficiency opportunities; second, optimize renewable energy sources; and finally, meet remaining grid demand with least-cost and lowest-impact non-renewable sources of supply.

We would also recommend changing the term "encourage" to "promote" in schedule A, section 1(b). The approach of, first, maximizing energy efficiency opportunities; second, optimizing renewable energy sources; and last, meeting grid demand through least-cost and lowest-impact non-renewable supply should be inserted into section 1.

The Ontario Power Authority should be required to adopt the sustainable ecosystem approach, which I have already mentioned, in its integrated power system plan.

The promotion of energy conservation, energy efficiency and cleaner energy sources should be reincorporated into the Ontario Energy Board's mandate in Bill 100.

In section 2, the definition of "alternative energy source" requires the source to be "cleaner than certain other generation technologies in use." CEA is concerned that this requirement is vague. Coal-fired electricity generation, including the so-called clean coal technology, is not an environmentally acceptable form of electricity generation, and nuclear power is not a cleaner form of electricity generation than coal or gas-fired power.

Nuclear generation produces highly toxic radioactive waste as well as routine and accidental radioactive emissions that are harmful to human health and the environment. The bill should explicitly exclude coal-fired power generation, other high-carbon emission alternatives such as petroleum coke-fired facilities, and nuclear power from the definition of "alternative energy source."

The environmental and human health consequences of coal-fired electrical generation and nuclear generation are such that the bill should set timetables for the phase-out of both generating systems. The bill should include the 2007 deadline for the phase-out of coal-fired generation. The bill should also include a phase-out of all nuclear power plants at the end of their normal commercial lives by 2018.

That concludes my comments.

The Chair: Thank you very much, sir. We appreciate your presentation. The rotation this time will be the Progressive Conservatives, the government, and then the New Democratic Party. We have about five minutes. Mr Arnott, I'll start with you.

Mr Arnott: One of the best parts of the standing committee process is that it allows members of the Legislature to visit communities like Windsor and hear from people in their local communities. I assume you're from this area, southwestern Ontario.

Mr Coronado: Yes, I am.

Mr Arnott: We certainly appreciate your willingness to come forward and offer us your views.

One of the previous presenters this morning, in answer to a question about Germany's commitment to eliminate nuclear power, indicated that perhaps the authorities in Germany know full well that they can't eliminate their nuclear power but they're trying to light a fire under the renewable sector to try to get as much renewable generation as possible built quickly.

We have heard from a number of witnesses and a number of experts over the last number of months that it's going to be very difficult, if not impossible, for the current provincial government to eliminate coal-fired generation by 2007. In fact, many experts are very skeptical as to whether that can happen, yet the government continues to follow through on public statements that it made during the election that this is their intention. Yet you pointed out quite correctly that, if they wanted to, they could probably put in Bill 100 a section which absolutely commits itself to doing so.

Do you think that the government's true intent is just simply to send a signal to the renewable sector that "You've got to get going," and that really they don't believe they're going to be able to eliminate coal-fired generation by the end of 2007?

Mr Coronado: I can't really speculate on the government's intentions. Certainly I would put forward once again some of the presentations that have already been made on alternative energy strategies to this committee, including from the Ontario Sustainable Energy Association, the David Suzuki Foundation, as well as the

Pembina Institute. The experience in other jurisdictions is that renewables can make up a much greater percentage of supply throughout the province. Additionally, it has been pointed out to this committee before that this province has very high per-capita electricity use in comparison to other jurisdictions. So the combination of conservation measures and a sustainable energy supply, to us, would not seem to be an option at this point, but it seems to be a vital requirement.

Mr Arnott: Yet at the same time I understand you said you would be reassured if the government amended Bill 100 to state explicitly its commitment, as an amendment to this bill, that it will definitely phase out coal-fired generation by the end of 2007.

Mr Coronado: We would be more confident in the government's proposal if it were included in this bill.

The Chair: Anything further?

Mr Khalil Ramal (London-Fanshawe): Thank you for your presentation. You mentioned when you were speaking about the government encouraging, not promoting, the way to conserve hydro in Ontario in order to have green hydro and utilities in this province. I wonder if you have seen section 25.11, where we talk about establishing a bureau in order to conserve hydro in this province and the things that bureau will do in promoting conservation in this province.

Mr Coronado: We do not believe that alone is sufficient to promote renewables and conservation throughout the province.

Mr Ramal: So what's your alternative?

Mr Coronado: The alternative, as I mentioned in the presentation, would be to start by changing some of the language in the bill itself, as well as that every agency mentioned in the bill be altered—such as the Ontario Energy Board, but I've made specific recommendations around that—so that its pre-Bill 100 efforts around conservation or its mandate should be returned within the bill; also that, of course, each agency mentioned in the bill should have a conservation, energy efficiency and renewable supply mandate.

The Chair: Thank you very much for your presentation this morning.

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RENZO ZANCHETTA

The Chair: I'd next like to ask Mr Zanchetta to come forward, please.

Good morning, sir. We'll just wait until the clerk distributes your presentation to committee members. You have 15 minutes, sir.

Mr Renzo Zanchetta: Thank you for the opportunity to speak today. My name is Renzo Zanchetta and I'm with the Windsor chapter of the Ontario Electricity Coalition.

In June of 2002, I addressed the standing committee on Bill 58. As a member of the Ontario Electricity Coalition, I know that the case against privatizing hydro was made in cities and towns across Ontario. When I say

"made," I mean that people in Ontario overwhelmingly stated that they wanted a publicly owned system that delivered power at cost. Municipal councils—and I might add here that Windsor was the first—passed resolutions opposed to deregulation.

The act of public consultation, as we are engaged here today, did not lead to democracy triumphing. The Conservative government of the day did not implement the will of the people. What triumphed was the ideology of market-driven solutions, and what followed, as history will tell you, was a failure. Should that failure have been a surprise when anyone listening would have heard that, wherever an electricity market had been deregulated and privatized, it too had failed? In fact, there are no successful examples anywhere. So why, one would ask, should things be any different here?

Now, as then, the government of the day has no mandate to proceed with privatization of the hydro system. To quote James Laxer, "What was created through the direct expression of the will of the people ought not be swept aside in the absence of a similar expression of the public will." In fact, that was the law until the Eves government changed it in order to proceed with privatization. For the record, I do not believe that today's proceeding is an adequate substitute for public referendum.

Prior to the last provincial election, Dalton McGuinty said, "I will not move to deregulation. I will not move to privatization. The market is dead." For the Liberal government to move to privatization now is not surprising. In fact, it is consistent with their recent electoral behaviour of saying one thing and doing another.

Electricity has been essential to the creation of the culture and society in which we live. It underpins every aspect of progress and buttresses the standards of comfort and security that we take for granted. The question arises as to who best is to manage this essential service and what is in the public's best interest.

It is clear that the cheapest possible price for power is not part of the criteria for determining this. In this case, as in all cases involving privatization, there is the introduction of profits, for a whole list of people, all of them basically middlemen, all ready to add their fee to the final bill that only the consumer will pay. For the record, private power will always cost more than public power and therefore add to the cost of everything we take for granted.

The primary goal under a privatized system is to make returns on investment. However, success for investors does not guarantee any benefit for the consumer. Private producers will find a hungry market south of the border. Any private sale of power into the US will trigger NAFTA rules. We will end up paying inflated US prices for power generated in Ontario, simply to maximize return on investment.

So it would seem that sovereign control over energy supply is not part of the criteria favoured by the current government either. George Bush has expressed interest in a North American energy zone, and allowing private

power sales into the US is a way of accomplishing that goal. In Canada, we have lost control of our gas and oil resources; do we want to give up control of our electricity too?

Much of the grid in the US is in private hands. In fact, it was the negligence of a privately owned power company that was responsible for the blackout of last year. Following that blackout, a review was conducted and recommendations were made. One year later, those recommendations have not been implemented, leaving Ontarians vulnerable to another blackout. If we are to build energy security in this country, then our power lines should run east-west, not north-south.

One must ask the question: What plan does the McGuinty government have if an attempt to privatize goes wrong? The Eves government could not make it work, and it did not work in Alberta or Pennsylvania or New Zealand. After being gouged, Californians had to pay billions more to buy back their system. What are the implications of such a scenario under NAFTA? Will Ontarians be forced to pay some US corporation billions to regain control of what has been our birthright for over 100 years?

Two years after Bill 58, the fight against privatization goes on. The concerns that opponents expressed then are just as relevant today. Despite the refurbished spin and gimmicks like smart meters, it is the same battle. Though the name of the party in power has changed, the agenda has not.

If the government were truly concerned about meeting our energy needs, it would legislate measures that promote conservation. Rather than throw more money into the bottomless pit of nuclear energy, the government could take a fraction of the \$900 million it intends to spend and retrofit homes across the province with compact fluorescent bulbs. This would go a long way toward meeting our energy needs.

It is a fact that more energy has been produced through efficiency and conservation than from all other sources combined. But talk as they may, conservation is contrary to creating the conditions investors will flock to. After all, investors want to sell as much electricity as possible, not less.

The minister said the government cannot solve the electricity problems of Ontario alone, that it needs the help of the private sector. To me, this is an admission of failure and is an abdication of responsibility. If this government cannot manage this essential service in the public interest, then Ontarians should elect one that can.

I said, when addressing the committee on Bill 58, that "the government pursues this course at its own peril, which will be evident in the next election." As history shows, the Tories were turfed.

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True, Ernie Eves was saddled with more than his own energy debacle, but the Common Sense Revolution will pale in comparison when voters are confronted with the disaster that hydro privatization will bring. The only question then will be, can the damage be undone and how much will it cost?

I will conclude by again quoting my address to the committee on Bill 58:

"I ... urge the government to consider how this valuable public asset could be better managed for the benefit of all people in Ontario. I suggest a new round of public consultations should be held to tackle the important issues of accountability, the debt, security of supply and hydro's role in the environment. Public ownership means public responsibility. The citizens of Ontario are ready to participate in that process."

Thank you.

The Chair: Thank you very much, sir. We have about three minutes for questions. Let's start with the government caucus.

Mr Ramal: OK. Thank you very much for your presentation. I'm sorry, I mentioned your name earlier for a different speaker.

Anyway, I just want to ask you some questions. You mentioned three very important points, especially about pricing. You mentioned that the government was just looking after investors, not after the people of this province. You don't believe that supply and demand, which control the prices, also drive the prices down? That's one question.

The second question is about the blackout. Hopefully, the Minister of Energy will correct me if I'm wrong. I believe that as a result of government work and effort, we have an extra 25% energy in this province, and a blackout will be out of the picture for this year.

The third question is, I listened to so many speakers from Toronto to, of course, Windsor today about nuclear energy. It's proven, after listening to many scientists, that it's the cleanest and the cheapest and most sustainable energy in the whole earth. I know your position is moved by certain political ideology. You don't believe that all these efforts, combined together, will provide a good service for the people of this province?

Mr Zanchetta: Excuse me, but I have three questions here?

Mr Ramal: Yes. First, supply and demand; second, nuclear; and third, the blackout, the extra 25%.

Mr Zanchetta: I'll deal with the last one first, as I remember it best. There was a report just two weeks ago in the media stating that recommendations that had been made had not been implemented in this time and in this moment. The point that I was making there is, why do we want to tie ourselves into a system that is not properly managed, namely being a privatized system where certainly infrastructure has been neglected in this? So under a privatized management, we have situations like this occurring, which cause tremendous dislocation, which cost Ontario billions of dollars.

I don't know if that answered you. And your other questions?

Mr Ramal: Talk about nuclear and—

Mr Zanchetta: I just want to tell you that once you said "nuclear"—there is a problem that we're saving for future generations here. There is no way to manage the toxic waste safely. It will have to be stored in perpetuity.

It will be a bill that the consumers in Ontario will have to pay, because when Bruce is done with making money, they're leaving town.

Mr Ramal: But it's proven that nuclear facilities are the safest and the cheapest, and we can produce—

Mr Zanchetta: From an environmental point of view, that doesn't register with me, sir. I'm sorry.

Mr Ramal: I respect your opinion, but that's what the scientists said and mentioned over and over. It's been proven in China and in many different countries on the earth. They produce a lot of capacity, of hydro, and they're clean and safe, and they've never experienced any problems. So that's why, as a government, we aren't just saying "only nuclear." We listened to the chief officer from the Bruce station. He mentioned it shouldn't be more than 50%—

Mr McMeekin: Forty-three percent.

Mr Ramal: Forty-three percent—and open it up for other alternatives, with windmills and water and whatever, other ways to make electricity. So as a government, just as we heard today in Windsor and probably tomorrow in Toronto and after in Ottawa, we want to listen to people like yourself and other people to create a direction for our approach to the hydro problem in this province.

Mr Zanchetta: I really don't have a response for you.

The Chair: Thank you very much, sir. We appreciate you participating in the democratic process in committee hearings.

DALE LANE

The Chair: Next we have Mr Lane, please. Welcome. Just before you start, the clerk is passing out your presentation.

Mr Dale Lane: Yes, thank you.

The Chair: You can commence, sir, and welcome.

Mr Lane: Mr Chairman, Mr Minister, honourable members, thank you for the opportunity to speak today regarding the Electricity Restructuring Act. I would like to start by saying I am a proud employee of Ontario Power Generation, but my remarks today are my own and do not in any way, shape or form represent my employer. My attendance here is as a user of electricity, natural gas and a life-long resident of Ontario.

Unfortunately, electricity is a somewhat abstract commodity. It cannot be seen or heard in a usable form but it is one of the most important commodities on earth. In fact, it was just over one year ago that millions of people in North America simultaneously found out how our lives and economy depend on it.

I'm sure it's the importance of this commodity that led to the bill which is being discussed today. It's also the importance of this commodity that requires the effects of any proposed changes to how it's produced, transmitted or used be carefully considered with as much stakeholder input as possible. Research supporting the proposed changes should be repeated and even expanded to ensure it's as up to date as possible and the intended results will

be achieved. In the words of the old woodworking adage: measure twice, cut once.

The stated purpose of the bill—to promote the expansion of electricity supply and capacity—doesn't do justice to the complex issues around its production, transmission and use. I would respectfully suggest that qualifiers are required to indicate appropriate amounts of supply and capacity, and strategic areas are required in order to maintain a reliable and economic supply of electricity for the province.

The proximity of electricity production sources to load centres is almost as important for the stability of the provincial electricity grid as adequate supply and capacity. Producers in these strategic geographic areas should be limited to not-for-profit companies so that grid stability is never held ransom. Without a doubt, it was appropriate amounts of supply and capacity in strategic areas that helped supply reliable and economic power, which allowed Ontario to become the economic engine of our country. It deserves mention in the purpose of this bill.

In order to have reliable and economically priced electricity, diverse sources of electricity supply are required, as appropriately listed as one of the objects and character of the Ontario Power Authority. It's a prudent strategy for such an important commodity to not put all our eggs in one basket.

With words supporting diverse electricity supply in parts of the bill, it's surprising to find other areas of the bill limiting it. By my count, cleaner energy sources are referenced five times in the bill, which I'm sure is linked to everyone's goal of cleaner air; however, what's more important than the cleanliness of the energy source used for producing electricity are the emissions released to the environment in the process. This concept is so important, it does deserve mention in the bill and should specify emission levels per unit of energy produced. It would do no favours for the environment to have a large number of small generators that on their own have relatively low total emissions but have high emissions for every kilowatt hour of energy they produce. Considering only the cleanliness of source could exclude the use of synthetic substitutes for natural gas.

Synfuels are synthetic fuels that are substitutes for crude oil and natural gas. The chief sources of synfuels are gasification or liquification of biomass, bituminous sands, oil shale and coal. Gasification breaks down virtually any carbon-based feedstock into its basic constituents, enabling the separation of pollutants to produce clean gas for efficient electricity production. In one method of gasification, hydrogen, methane and carbon monoxide gases are produced by combining oxygen and steam with coal to produce cleaner-burning gases. Again, the more important issue is the emissions from the process used for electricity production, not the cleanliness of the source.

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Coal is found on every continent in the world, with reserves exceeding one trillion tons. The largest reserves

are found in the US, the former Soviet Union and China. The US and the former Soviet Union each have about 23% of the world's reserves, with China having approximately 11%. However, China is the world's largest producer of coal, followed by the US. In fact, the energy content of the coal reserves in the United States exceeds the energy content of all the world's known recoverable oil. With coal being North America's most abundant hydrocarbon, it is not a question of whether it will be used for future electricity production but how it will be used. The same can be said of the former Soviet Union and China, in that it will only be a question of how it will be used.

The United States government fully appreciates the energy contained in its coal reserves and the significance of having such an abundant domestic supply. It also appreciates an energy source that will not be affected by political instability in foreign countries or affected by organized efforts of a group of countries to manipulate its price. It's also the reason why the United States government is sponsoring a \$1-billion demonstration project to create the world's first coal-based zero-emission electricity and hydrogen plant, based on gasification and liquefaction. Why would the United States government be involved in such a project? The answers are simple: to keep American-produced goods competitive in the global marketplace and to reduce emissions when using North America's most abundant hydrocarbon source.

While its abundance and limited uses are great positives for using coal as a fuel for electricity production, the emissions produced by burning coal are certainly a great negative. Technologies exist to retrofit existing electricity plants burning coal to remove approximately 90% of the sulphur dioxide, 80% of the nitrogen oxides and 85% of the mercury to significantly and substantially reduce emissions from coal-fired plants.

Developed nations such as Canada and the United States should take the moral high ground and set examples for developing countries to follow on how to use the world's natural resources in an environmentally responsible manner to minimize emissions from any industrial processes.

Unfortunately, air pollution knows no boundaries. Studies indicate that approximately 75% of the mercury landing in the United States comes from other countries, but it is predominantly from China. In fact, those same studies indicate that Asia is responsible for emitting approximately half of the worldwide total annual mercury emissions.

Pollution comes from a variety of different industries. This chart shows sources of sulphur oxide emissions for Ontario in 1995. The two largest Ontario-based sources were total industrial emissions and non-ferrous smelters. Other Ontario sources, while smaller but still significant, were electric power generation, petroleum refining, transportation, the iron and steel industries, iron ore mining and the cement and concrete industries. For reference, electric power generation from Nova Scotia, Alberta and Saskatchewan are also shown. While the data

may not be current, it does show significant sources of sulphur dioxide emissions in 1995, which are still likely significant sources today.

The next chart shows sources of emissions of nitrogen oxides in 1995 with, not surprisingly, many of the sources repeated from the previous chart. Lost in the scale of the chart is the 28% NO_x reduction from 1995 to 2002 for electric power generation in Ontario. If 2003 data were available to compare against, the reduction would be even greater, due to the installation of equipment to further reduce NO_x emissions from coal-fired power plants. While the data may not be current, it does show the significant sources of nitrogen oxides in 1995, which are still likely significant sources today. Again, what's important for everyone's goal of cleaner air are emissions to the environment, not the cleanliness of the process inputs.

I would respectfully suggest that the bill requires qualifiers for the price of electricity produced in the province. Without electricity being affordable enough to allow Ontario-produced goods to be competitive in the global market, having all the supply and capacity in the world will be of no good.

There has been a complete about-face in the last four years on the choice of fuels for power generation in the world. In 2000, it was assumed that all capacity increases would be met by turbines burning natural gas. Since then, the cost of natural gas in the US has risen to or above the price of the electricity that would be sold by the plant and has resulted in a number of recently built high-efficiency plants not running.

Using significant amounts of natural gas to produce electricity in the province could also make Ontario-produced goods uncompetitive in the global market because of high natural gas prices. When speaking at the 2004 Canadian Gas Association general meeting this past May in Ottawa, TransCanada CEO Hal Kvisle talked about slow processes to bring liquefied natural gas to North American markets and building new coal and nuclear generating plants and how they are driving industrial users of natural gas out of business.

This slide, along with limited uses for coal and the many uses for natural gas, I believe, explains the shift in industry focus. With natural gas representing only a relatively small percentage of North American hydrocarbon reserves, it's easy to see why there has been upward pressure on its price, which will likely continue.

In closing, I would respectfully suggest that qualifiers are required in the bill to indicate that appropriate sources and amounts of supply and capacity in strategic areas are required in order maintain a reliable and economic supply of electricity for the province. To achieve everyone's goal of cleaner air, references to "cleaner energy sources" should be changed in favour of "low emission rates" for every unit of energy produced.

Thank you for your time today. I would ask that when it comes to electricity restructuring, please measure twice and cut once.

I'd be pleased to try to answer any questions you may have.

The Chair: Thank you very much, Mr Lane. We have about three minutes. Mr Marchese, you have the first opportunity in this round.

Mr Marchese: Mr Lane, I want to ask a question to see how it relates to your presentation, because I'm trying to follow the conclusions to get a sense of your view about Bill 100 in terms of its limitations or positive aspects of it. The government clearly has two proposal calls in progress: for 300 megawatts of green power, and 2,500 megawatts of clean power, largely gas-fired generation. The former, which will pay the higher cost of renewables, has drawn major interest, with proposals totalling 4,400 megawatts. Clearly there is an interest in that type of green power generation. You support that, I assume, based on this presentation.

Mr Lane: Green power is good. The question around it is, how much does it cost?

Mr Marchese: So cost is an issue for you, mostly?

Mr Lane: Yes. I believe it's an issue as well for the economy.

Mr Marchese: It would seem to me, given such a high level of interest in producing green power—presumably, totals to 4,400 megawatts—that we should be pursuing that a little more aggressively. Do you think the government should do that, or do you think it should look at that in relation to the cost over a long term, and is that the only consideration you want us to worry about?

Mr Lane: I think the price can't be ignored; it has to be considered. The other issue that one of the speakers earlier today spoke to was that with some renewables you still need capacity to back them up when they're not available to produce. So, yes, renewables should be pursued, keeping in mind their cost and the required backup capacity.

Mr Marchese: So the issue is cost, and it should be at lower levels or as low as we can possibly get. If that's the case, what is it that you recommend the government should be doing?

Mr Lane: I think the cost issue is to allow Ontario businesses to be competitive. I wish I could give you a figure, a percentage of different generation sources, but I just don't have the knowledge to do that. It's a fine balancing act, and frankly, I'm quite happy that I'm not involved in determining what those percentages are. But I think the key is allowing Ontario businesses to be competitive while still respecting the environment.

Mr Marchese: Is nuclear a big part of that?

Mr Lane: I believe so, yes.

The Chair: We have maybe a minute and a half. Mr Arnott, do you have a question?

Mr Arnott: I want to express appreciation for your presentation today, because I think you've put forward some facts that haven't yet been brought to the attention of the committee. Certainly the statement that much of the mercury pollution in North America—you said the United States, but I assume it's the same for Canada—is coming from Asia.

Mr Lane: I assume it would be.

Mr Arnott: We are certainly aware that pollution doesn't respect geopolitical boundaries, but that's a very interesting statement that I wasn't aware of.

Mr Lane: To put a number to it, the US produces approximately 45 tonnes annually. What's coming from Asia is approximately 1,100 tonnes.

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Mr Arnott: You said that the United States is spending a billion dollars to create a demonstration project whereby clean coal technology can be employed, which is zero-emission. Where is that being built? How far along are they?

Mr Lane: They haven't started. It's a 10-year project. The big issue for coal is CO₂ sequestration. There are demonstration projects for other clean coal technologies, the gasification and liquefaction, but they don't include the CO₂ sequestration right now.

Mr Arnott: Because it's been a long-standing concern of the government of Ontario that about 50% of our air pollution in the province comes from the United States, predominantly from coal-fired electricity generators in the Ohio Valley. If that is the case, certainly the Ministry of Energy should be monitoring, you would think, the developments in the United States, and that should be part of the decision-making process before irrevocable decisions are made in the next three years about coal-fired generation. Would you not think so?

Mr Lane: I think I'd agree with that, yes.

Mr Arnott: Thank you.

The Chair: Parliamentary assistant, quickly, do you have a question? We have about half a minute.

Mrs Donna H. Cansfield (Etobicoke Centre): Very quickly, the issue around China—and I was recently there. My understanding is that they are actually looking to renewables. They are shutting down their coal and building more nuclear. The interesting part is that now they're discovering that the health-care-related costs are skyrocketing. My understanding—I met a teacher who had been there—was that they could only stay for a certain number of years before they would end up with a respiratory problem. So my question to you: I can't quite figure out—are you a proponent of coal, suggesting that coal has to be a part of that mix, and what portion?

Mr Lane: I'm proposing that clean coal can be a component of the mix. I'm not able to say what proportion it should be. I think if the developed countries had developed the processes to clean up coal, China wouldn't have the issues you mentioned. So it's unfortunate that the developed countries haven't been more responsible to deal with the emissions from coal in the past.

Mrs Cansfield: It's interesting. I sat with the person who probably owns most of the coal in Canada, and he was very straightforward: You can clean up the SO_x, you can clean up the NO_x, but you cannot deal with the CO₂ emissions. He was quite up front with that. So do you trade off one problem for another?

Mr Lane: Today they cannot deal with the CO₂. There is research underway to deal with total CO₂ capture and isolation from the environment. I'm not familiar

with where the work is, but I know the research is underway to achieve that goal.

Mrs Cansfield: Yes, I actually heard about it this morning myself, and I understand it's a fair piece away. So the question still rests: Do you trade off one problem for another in keeping the coal, or do you deal with—the comment was that in the United States, they have the coal; they're going to burn it. Most of it's for security reasons, to become self-sufficient. Do we follow that process just because they're doing it, or do we actually become a leader in getting rid of something that we know develops respiratory problems within our citizens?

Mr Lane: I think it's a balance that's required. Unfortunately, there are many industrial processes that cause respiratory problems and many luxuries of our modern life that kill people. We all drive cars, and unfortunately people are killed in car accidents too. So it's a balance that's required. It's not an easy question to answer, how the balance is achieved and what percentage it should be, but I believe it's a balance that's required.

Mrs Cansfield: We need to start somewhere. Thank you.

The Chair: Thank you very much, Mr Lane. We appreciate your input.

ALBERT DRIEDGER

The Chair: Next we have the London Health Sciences Centre, department of nuclear medicine, Dr Albert Driedger, please.

Just wait a minute, sir, before you start. The clerk is just passing out your material.

Dr Albert Driedger: Thank you very much for allowing me to come to speak to you today.

You might well wonder, why is a physician interested in electricity production? I've been privileged to participate in various professional activities for the last decade or more that gave me an excellent catbird seat to look in on the industry and to see what was going on, and I've come to realize that this is integral to the health of the population.

I have three messages I'll give you today. I'll give them to you as a synopsis and then I'll give you my arguments. First, I think there is a linkage between health and the means of production—or the availability, first of all—of energy. Second, I'll talk to you about the importance, as we see it in medicine, of clean energy and environmental sparing, and the links to health. Third, I want to talk about the importance of appropriate long-term planning for the system as it should be in the future.

First of all, worldwide, you can look up the statistics and see that there is a linkage between health indicators and the availability of energy that is generated country by country. That is to say that if you have energy, you have jobs, you have economy, you have infrastructure, you have health care systems that can be afforded, and these link to the health outcomes of the population.

Second, I want to emphasize that there is a strong linkage between health and the methods of energy

generation. I'll point out to you the OMA's study on the air quality issues in health and their observation that air quality issues largely linked to the production of electricity are responsible for about 1,900 premature deaths per year in Ontario. In addition, it's tragic enough to lose the people, but the associated care of not only the people who die but those who struggle to survive with problems amounts to about \$650 million a year, and the lost productivity resulting from those premature deaths is nearly another \$600 million.

I want to give you a personal anecdote just to emphasize that I'm one of many tens of thousands of people who have respiratory problems. Since the coal-fired plants were restarted in Ontario, I've spent more than \$1,000 a year on medications to keep me breathing reasonably well. I think that a number of us might be much better off if more money had been spent perhaps on the hydro bill and maybe it would have been a little less on the drug bill.

The third thing, and I'll spend a lot of my time on this, is the issue of a long-term, comprehensive energy policy. I'm saying "energy" and not specifically "electricity" because I think there are moving boundaries inside the energy sector, and the changes that are forthcoming need to be recognized because they'll have an impact on the uses of electricity and other forms of energy.

More than a decade ago, I was on a fact-finding mission that had us in a meeting with a number of senior then-Ontario Hydro people, including some of the vice-presidents. I asked the question, "Considering that it takes on the order of a decade to think about what you need down the pike in new energy production, what is being done today"—that was 1992—"to foresee the energy needs of the future?" I was told that Ontario did not need any more means of energy production, that the whole solution lay in conservation. That brings us to today, essentially, four administrations and three political parties later, and we're facing what I think we agree to be a crisis.

We need an energy policy system, a way of thinking about energy, that transcends the limitations of political administrations, and to see where the technology is heading, what changes are to be foreseen. The energy policy has to address the needs of the domestic and commercial sectors in a timely manner. It has to be consistent with our international obligations, such as Kyoto. I haven't seen the most recent numbers on our CO₂ production but, in the main, since the Kyoto accord was signed, our emissions have continued to go up rather than down. That was largely the result of the closure of the seven reactors in Ontario and the switch to coal production, which basically put about 35 million extra tonnes of CO₂ into the air each year.

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I think as a country and as a province we're extremely fortunate in that we have a range of energy choices. In order to have a stable energy policy, a stable economy, we need to utilize those resources selectively and not place excessive reliance on any one source. We do have

the full range of hydroelectric, fossil fuels, nuclear, and perhaps wind and solar. I suspect that wind and solar have a sting in the tail, but we'll perhaps come back to that.

I understand it's seven gigawatts of electricity that are being produced by the three coal-fired stations in southwest Ontario. If they're to be closed in 2007, where are we going to get the electricity from, given the time that it takes to replace sources of generation? The amount of electricity that needs to be generated from different sources is roughly equivalent, depending on how you want to look at it, to the construction of 10 new nuclear reactors of about 600 or 700 megawatts capacity, or about a dozen combined-cycle natural gas turbines, or about 7,000 windmills, assuming—my engineering friends tell me I'm too generous in the output of windmills and that the contribution wouldn't be as great as I've indicated here.

We have problems with reconfiguring the system within this time frame. Natural gas reserves in Alberta are rapidly dwindling—diminishing, as I'm told. My colleagues there tell me that they're looking at perhaps reducing their exports within nine years unless major new finds come forth. So does Ontario want to build a lot of natural gas capacity at this time? It would seem like a hazardous, high-risk gamble.

Wind energy is costly to build. There are many issues of land use and rights of way and such that are not addressed by the proponents systematically yet, that I've seen. There's also the question of what you do on a cold night in January when there's no wind. You have to have the standby capacity, so wind becomes an add-on to your grid rather than a replacement for major facilities.

If we shut down the coal-burning stations prematurely and have to look elsewhere for energy, that might mean importing from the United States, which of course, as we've already heard, would likely lead to an increased production of pollutants from the Ohio Valley. So we haven't really dealt with the issue of cleaning the air in an effective way by that manoeuvre.

I gave you some numbers from the Ontario Public Health Association concerning the emissions from coal-burning plants in Ontario, and you can see that we're producing about 150,000 tonnes of SO₂ and 50,000 of nitrous oxides, 35 million tonnes of CO₂, and I didn't get into particulates. You should notice that on the nuclear side, there are none of these emissions and, furthermore, for those who are afraid of the radiation issues concerning nuclear plants, I'd remind you that coal-burning plants emit more radiation because of the radon that is freed up from the burning coal. I'd remind you that the operation of each reactor at Pickering, at an efficiency of about 85% over a year, avoids the emission of five million tonnes of CO₂. I've given you some numbers for what the three most severely polluting coal-fired plants are emitting in southwest Ontario.

So what are the solutions? In the short term, I think conservation is important but I do not believe it can be the whole answer or even a major part of the answer.

Given the time frame, I believe we have no choice except to return the laid-up reactors at Pickering and Bruce to full service.

Contrary to other views, I would emphasize that nuclear is green, nuclear is clean, and nuclear is cost-effective. It may, in the short term, be necessary to do something about emissions from coal-fired plants that need to continue to operate, but I don't know what that technology is.

Longer-term planning must consider that natural gas prices are not likely to fall. The economics of intermittent production by wind and solar will play a role and limit what we can harness them to. I believe we will have to continue to have nuclear in the mix in a big way in the long term.

I want to emphasize here that the radioactive emissions from nuclear are manageable, they're measurable, and they are not a public hazard. Indeed, I took a busload of my graduate students to Bruce in the spring because I was emphasizing to them and wanted to make the point that health care is an integral part of the nuclear industry, and they saw the fuel that's stored in the fuel basin. You should see it if you haven't. We're told that this is all the fuel that Bruce has used for the last 30 years and it has produced consistently about the amount of electricity that's needed to power Toronto. My students looked at it and said, "Is that all there is? That's not a problem."

I can tell you that I believe our descendants will fight each other for possession of the nuclear fuel depots because they still contain so much energy. In an environment where we weren't torn apart by fears of terrorism, I think we would be using and reusing many of those fuel sources.

I think that's the gist of my message for you, and I thank you for allowing me to speak to you.

The Chair: Thank you very much, sir. We have about a minute and a half. The Progressive Conservative caucus is first in this rotation. Mr Arnott, please.

Mr Arnott: Thank you very much for your common-sense presentation, if I can call it that—

The Chair: Is that the new platform, Ted?

Mr Arnott: —and for bringing forward your practical advice on this issue. I think you've taken a completely non-ideological and practical approach, and your understanding and study of this issue is evident throughout your presentation.

I was just thinking about the idea of conservation. You recognize that there's an important role for conservation, but there are limits to how much we're going to be able to conserve. I think it would be prudent public policy to try to encourage conservation every way we can but recognize that there will be limits.

I was just thinking, sort of off the top of my head—one of our previous presenters talked about encouraging the government to retrofit homes across the province with compact fluorescent bulbs. I was just thinking, what would happen if Hydro One sent a voucher to every residential household in Ontario and people could take that voucher into a hardware store and get one compact fluorescent bulb? It would get them thinking about con-

servation. It would give them some reason to take direct action. Maybe they'd buy a handful, half a dozen of them, if they get one for free, whatever. What would you think about that kind of idea?

Dr Driedger: That sounds like déjà vu. Back in about the early 1990s, I believe Ontario Hydro had various rebates. I was building a new house and I got a rebate for putting in a heat pump rather than a pipeline. I believe people were getting rebates if they bought new energy-efficient refrigerators. But then, I don't know; I think a lot of them just said, "Well, this old fridge is not too bad. Let's put it downstairs to keep the beer cold." So our energy uses have gone up.

I think conservation when you can is fine. In certain areas we need to change the way of thinking, and if you have a clever way of doing that, fine. But I don't think it will work easily.

Mr Arnott: I said that for the minister's benefit, and I hope he was listening.

Mr Marchese: It'll have Duncan's picture on it. It will help.

The Chair: Thank you very much, sir, for coming this morning and for a very insightful presentation.

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STEPHEN THOMAS

The Chair: I'd now ask Mr Thomas to come forward, please. We're just passing out your documentation, sir. We'll be a moment.

Mr Stephen Thomas: My name is Stephen Thomas. I'm a senior research fellow at the University of Greenwich in London, England. I was asked by the Society of Energy Professionals to look at Minister Duncan's proposals for the Ontario electricity industry and to comment critically on those on the basis of my experience.

I've been an energy policy researcher for the past 25 years. For much of the last decade or so I've looked at reforms in the UK, Europe and in other countries such as Mexico, Brazil, South Africa and Korea.

Mr McMeekin: A previous presenter referenced your work and drew to our attention his hope that you might be able to present. So it's good to see you here.

Mr Thomas: Thank you. First, I'd like to thank you for the opportunity to make this presentation and to congratulate you on what seems to me to be a very open process—much more open than I've seen in many countries which have carried out reforms.

I will try to go quickly through the conclusions of my papers and leave about five minutes for questions at the end. If it's not too presumptuous, I would say that as I am in Canada for the rest of the week, if any of the members here would like to take the opportunity to talk to me afterwards, I'd be very happy to spend as much time as is necessary.

The Chair: Thank you for that very generous offer.

Mr Thomas: Let me turn to the conclusions, then. What struck me in reading Minister Duncan's proposals

was that the overall need for new investment over the period till 2020 was not overwhelmingly large. If you looked more closely, you would see that a lot of the requirement was in the early years. In fact, it seemed to me that about three quarters of the investment need was required in the next four or five years if the coal-fired plants were to be closed in 2010 and decisions taken on the future of most of the nuclear power plants which will be needed in the next four or five years. As a result of that, it seemed to me a very risky proposal to move to an untested solution requiring the investment by private investors who it's not clear will be interested in investing in Ontario, and it's not clear what the costs would be.

It seems to me that a much more reliable solution would be to look to Ontario Power Generation for a much stronger role in building this capacity. I noticed that the proposals, at least initially, do not allow OPG to participate very strongly in the requests for proposals. Given that you have a company that has produced reliable electricity over many decades, to exclude them from the process seems to me unnecessarily restrictive.

My next conclusion was on wholesale competition. It's my strong belief that the illusion that you can create wholesale competition in electricity should be abandoned. If we look at the experience in Europe in the areas where wholesale competition seems to have been most successful—and I suppose you would be looking at the Nordic countries and the UK—if you look more closely, the experience is not so positive. In the Nordic countries, after about 13 or 14 years of liberalization they still have not built any new capacity. In Britain, after 14 years of a wholesale market we still have about 0.5% of electricity purchases going through the transparent market. The rest is mostly generation for companies supplying their own consumers or via long-term confidential contracts. So even in Britain after 14 years we don't have anything like a wholesale market.

If we look at countries which have reformed and which have had a great need for new generating capacity, like Brazil or California, you can see that attempts to reform have led very quickly to chaotic situations.

My next conclusion was on gas. From a European perspective, gas always seems to be the answer, because in Europe we're surrounded by about 80% of the world's gas resources, easily accessible to the European market. All around Europe the liberalization process has been lubricated by gas supplies. North America has a very different resource position. I think if gas is going to be the fuel that will fuel the expansion of new capacity in Ontario, you need to look very carefully to make sure those resources are going to be available for the time scale required.

My next conclusion was on international trade agreements. I think you need to look very carefully at NAFTA and the GATS agreement, the General Agreement on Trade in Services, because it seems to me that both these agreements mean that once a reform is undertaken it will effectively be irreversible. This is not an area where you can afford to make experiments and then, if things don't go as well as you hoped, go back to the old system. Once

the market is opened under GATS and NAFTA, effectively, that process is irreversible. So I think you need to be very sure that the new market will work before you commit to it.

My next conclusion was on retail competition. I think the idea of retail competition should be abandoned. Experience in Britain is that retail competition makes small consumers have to compete against very large consumers like aluminium smelters to get cheap prices. I don't think it's realistic to expect small consumers to be able to negotiate as hard as an aluminium smelter or a chemical manufacturer.

As a result, what we've seen in Britain is that the relative price for small consumers has gone up. Within the small consumers, if you make it an open market, then the companies will target the most profitable consumers. So within small consumers, companies will target the richest consumers, the consumers they'll make most money from. Again, in Britain, we have seen poor consumers do very badly from the opening up of retail competition.

On the publicly owned companies, I welcome the decision to maintain Hydro One in public ownership. With the blackouts we saw in North America and Europe last summer, you can see the importance of a very strong transmission system, and I think keeping it in well-managed public ownership is a good step to maintaining a strong infrastructure. I think OPG should also be retained in public ownership as a reliable means of building new capacity.

Finally, on the coal and nuclear plants, it seems to me that retiring the coal-fired plants before it's clear that you have replacement capacity for them seems an unnecessarily risky strategy. If you are going to retire the coal-fired plants, you need to be sure that the replacement capacity is in place.

There is flexibility on the coal plants; their life is fairly extendable. That's not the case for the nuclear power plants, which have a finite lifetime before they either need to be retired or fully refurbished. About two thirds of the nuclear capacity will come into the category of needing major decisions within the next five years. If the decision is to refurbish, you will need to take the necessary logistical steps to make sure you can do that process in a timely and efficient fashion. Thank you.

The Chair: Thank you very much, sir. We have about seven minutes or so for questions. We'll start with the government caucus first, the parliamentary assistant.

Mrs Cansfield: Thank you very much for your presentation. I have a couple of questions. One is, could you give me the mandate which you were working under to create this paper?

Mr Thomas: I was asked by the Society of Energy Professionals to look at the statement by Minister Duncan and to use my experience of analyzing liberalization and privatization experiments to look at those proposals and critically comment on them.

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Mrs Cansfield: Did it include going beyond previous Ontario Hydro employees, to the marketplace, to other

generators? Did you talk to people other than just the professional engineers?

Mr Thomas: No, I just spoke to the professional engineers.

Mrs Cansfield: The reason I asked is that you have suggested in here that despite some faults in the old publicly-owned monopoly model, which would be Ontario Hydro—I guess I was just trying to come to terms with how a \$38-billion debt is a slight fault and how you rationalize that. If you could help me understand, that would be very helpful.

Mr Thomas: I don't pretend to have detailed knowledge of the Canadian companies, and clearly, calling a \$38-billion debt a slight fault is totally inappropriate and I apologize for that.

Mrs Cansfield: That's the challenge, when you don't get a chance to talk to a whole lot of folks.

Then the other question I had was the issue around the gas in Europe. Having done a little bit of homework, and not a lot, my understanding is that Germany now has over 19,000 windmills. I appreciate the fact that wind is intermittent, it works better in winter than it does in summer, and it can only go from maybe 18% to 30% capacity at a time, and often you combine it with another source. But to me, that doesn't show just gas as being the answer for a lot of countries. Certainly, they're looking at the renewable energy source, so I was curious as to why you specifically identified gas as the issue.

Mr Thomas: If you look in Europe at the decisions made by companies purely on commercial grounds, then I think, without exception, they've all been for gas-fired power stations. If you're looking at Germany, you're looking at a much more guaranteed, subsidized environment. Where companies are risking their own money, then that's where they're choosing gas.

Mrs Cansfield: Then my last question really comes to the whole issue of cogeneration. Again, I understand we're behind, but in Europe they are so far ahead in how they develop, especially with their companies, small and large alike. Do you have any comment on that?

Mr Thomas: Europe is very uneven. Some countries have a very well-developed cogeneration sector, like the Netherlands. To a certain extent, it depends on your industry structure. If you have a heavy industry structure which uses a lot of steam and which can use the cogeneration, then there is a lot more scope. In other countries, it's not so well exploited. But certainly in some countries, as I say, like the Netherlands, to a certain extent Germany, and Britain, increasingly so, then there is a lot more scope for cogeneration.

Mrs Cansfield: If I may, one last question. I'm curious that nowhere in—and I obviously haven't read all of your paper, so I apologize if it is in there, but you didn't mention it in your summary, and that's the whole issue around the demand side and the fact that, for the first time in Ontario, we have put demand side on the same platform as supply. Certainly, that again is a whole new way of doing business, and we've just started to learn it. So I was curious as to why that was not included in your paper as well.

Mr Thomas: My instinct is always to look at the demand side, but it's very specific from country to country and I don't have detailed knowledge of how efficiently energy is used in Ontario. Certainly in Britain there is a lot more scope for energy-efficiency measures than has been taken up now. I do note in my paper that the projections of electricity-demand growth seem to me quite low and it seems to me likely that they are based on an assumption of quite a strong demand-side management program. I think it's about half a percent a year demand growth, which by international standards is quite low. So I am assuming there is a strong demand-side program.

Mrs Cansfield: I welcome the opportunity and offer to you the opportunity to come in and speak with the staff at the ministry. Maybe they could give you some additional information. Thank you.

The Chair: Mr McMeekin. We have about a minute and a half.

Mr McMeekin: Thanks very much, Mr Thomas. I'm impressed with what you've done. I haven't read it, but I certainly will. You raise a number of interesting questions.

I want to raise a question for you because I represent roughly 130,000 people. We're a new government; we had certain financial challenges when we came to power. We raised, through an OHIP premium, \$1.6 billion and all hell broke loose, to be frank. We've got the energy minister and his minions in the ministry telling us we're lucky to get between a \$40-billion and a \$100-billion expenditure. Here's my dilemma: My constituents aren't lining up and saying, "Please hit us for another \$10 billion a year in taxes." They're not doing that. In fact, a lot of them are saying, "Is there some way we can spread the risk? Is there some way of being better risk managers? Is there some better way of creating supply that isn't going to add to a \$38-billion stranded debt?" That's my political problem, even though in an ideal world I like what I'm seeing here. Can you help me with that?

Mr Thomas: The debt problem is clearly important, but I think you have to put this in perspective. In most developed countries, electricity demand has been growing for about 60 or 70 years at about 7% a year. So the system is doubling every six or seven years. If you look at it in those terms, then the investment requirement is not unusual; it's one the electricity industry has been meeting for the last 60 or 70 years. So it's not necessarily clear to me that it is that unusual. It seems you need the political will to make that money available. Maybe it will need higher electricity prices, but maybe they'll be lower than if you gave the jobs to the private sector, which will require, particularly if the investment is seen by financiers as very risky, a very high rate of return on capital, and that will go to consumers. They might not like paying more taxes, but I don't think they'll like paying for expensive electricity.

Mr McMeekin: You understand our dilemma, though, don't you?

Mr Thomas: Oh, yes.

The Chair: Thanks for your presentation, Mr Thomas.

ENWIN POWERLINES LTD

The Chair: Next we have EnWin Powerlines Ltd—Mr Kosnik, president.

Mr Tom Kosnik: Thank you, Minister, Mr Chairman and members of the legislative committee, for the invitation to participate in this hearing process.

EnWin Powerlines distributes electricity in the city of Windsor and is fully owned by the city of Windsor. The shareholder has participated in a recent strategic planning session, and we believe our strategy and focus is doing what's best for the consumer.

EnWin is in agreement with the general principles of Bill 100, in which true cost of power is the basis of electricity charges to the consumer and a contract-based pricing system for default supply to protect the consumer. We are in agreement with the OEB assuming responsibility for market rules, the creation of the Ontario Power Authority to lead demand-side management programs, and the expanded role of the LDCs in demand management.

There are some issues with Bill 100, as we see it.

Split-supply obligations: The requirement under subsection 29(1) of the act for a distributor to sell electricity "to every person connected to the distributor's distribution system, including" consumers who purchase some but not all of their electricity consumed from a retailer will create consumer confusion, substantial billing system upgrades and additional consumer cost. A blended cost of energy is preferred to any split-supply option. Further, extensive billing system changes equate essentially to LDCs incurring more costs. The LDC is currently trying to recover regulatory costs for getting into the market opening in 2000. As a result, the commodity costs would increase distribution costs.

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Municipal Freedom of Information and Protection of Privacy Act: The LDCs have enjoyed an exemption from the municipal freedom of information act since 1998. The large increase in requests for information that would be anticipated should this exemption cease would translate into an additional position being created, which will obviously translate into additional costs for the consumer.

Demand-side management: The expanded role of the LDCs' implementing demand-side management programs and energy-efficient programs recognizes the important relationships LDCs have with their consumers and recognizes the differences in geographic areas of the province. For example, a large, local manufacturer has an additional three megawatts of supply available at their plant but is limited in its use because of minimum-load consumption contracts with EnWin. The minimum-load contract was necessary to ensure that EnWin could pay for the \$6-million expense of constructing a dedicated transformer station on-site. So you see the Catch-22. By ensuring EnWin is held whole in distribution revenue, a

net system peak load reduction of approximately three megawatts could be achieved with little or no cost.

EnWin has purchased market settlement software that provides wholesale and retail settlement. This program provides its retail users with up-to-date consumption information within 24 hours of load consumption via the Internet. This investment will provide Windsor's large consumers with timely information to make load management decisions going forward into the next day or week.

In addition, EnWin is continuing to replace old, deteriorated distribution infrastructure and convert it to higher distribution voltages, thereby reducing system losses. For those of you who aren't electrical engineers, the higher the voltage, the lower the losses. And the relationship is not linear; it's exponential. This reduction could literally provide energy to hundreds of new homes in the city of Windsor without an increase in demand.

These programs should be recognized as energy conservation programs for the year 2005 as part of the last third of a market-based rate-of-return program.

I must stress the importance of the principle of the LDC being held whole for any lost revenue in consumption reduction. A simple way to deal with this issue is to eliminate the variable component of distribution costs on the bill and replace it with a fixed charge. Currently, distribution revenue for EnWin comprises approximately 40% fixed charge and 60% volumetric charge. I must emphasize that any program that is utilized to ensure LDC revenue is kept whole should be simple and transparent. The fixed distribution rate would be such a system.

Discussions are ongoing with the OEB on the implementation of smart meters and separating the operating costs from meter services so that competition could occur for meter services in the future. This opens the door for potential privatization. The meter is used by utilities as a means of disconnecting and reconnecting customers and of determining the charges that would apply to consumers of electricity. In addition, this sort of meter service would confuse the consumer in an already complicated marketplace.

When considering the use of smart meters, the OEB and the Ministry of Energy should consider a simplistic, two-tier commodity pricing scheme in which off-peak and peak pricing data are provided on an annual basis and loaded into the meter. This would eliminate the need for the on-line downloading of market pricing data on an hour-by-hour basis.

The LDCs should be allowed to claim community educational conservation programs as demand-side management programs for 2005 as well.

The interval meters, the smart meters, certainly will impact billing systems. There's no question about it. It's certainly going to impact the cost of the utility going forward. The question is, how does that LDC recover the cost? I would suggest to the committee that the LDC should be able to recover its cost and should be guaranteed that recovery.

Thank you for your time.

The Chair: Thank you very much. We probably have about four minutes for questions. Mr Marchese, you're first up in this rotation.

Mr Marchese: So, Mr Kosnik, how does the smart meter—and I'm not a big fan of the smart meter necessarily, in terms of at least the objectives the government thinks it will have. But how does it confuse the consumer, again?

Mr Kosnik: I don't think the smart meter necessarily causes any confusion with the consumer. I think the smart meter provides knowledge, and knowledge is power going forward. There's no question about it. So I don't think there's an issue with regard to the smart meter data being confusing to consumers. I would suggest to you, though, that if you were to separate the cost of meter services, and being able to put those costs or those services out on the market for competition for meter service providers, for consumers, that will certainly create the confusion that I'm talking about.

Mr Marchese: I'm still trying to understand how that—

Mr Kosnik: It's the unbundling of the meter service's costs. So, for example, you have a meter at your residence, and what is being advocated is that we separate the costs associated with providing that meter. That cost, then, would be unbundled. Then there would be an opportunity for the private sector to go in there and provide that same billing service or that meter service. The issue there is, by providing that opportunity, it will provide that consumer with some additional confusion in the market. I don't suggest that you go forward doing that.

Mr Marchese: Have you talked to the government about this issue, or to some of the ministry people?

Mr Kosnik: We have certainly sent a letter forwarded to the Ministry of Energy.

Mr Marchese: Did you get a response?

Mr Kosnik: It was a recent letter, probably a couple of weeks ago.

Mr Marchese: What did they say?

Mr Kosnik: It was a recent letter that I sent, so I didn't expect a response.

Mr Marchese: Oh, a recent letter you sent, not their response.

Smart meters would encourage privatization, yet you're a private sector individual, obviously. Right?

Mr Kosnik: We're an Ontario business corporation, a company.

Mr Marchese: Right. This would encourage, you said, privatization. That's what I wrote down.

Mr Kosnik: There's talk in the industry with regard to further unbundling of the meter services. Those meter services—the thought is that you can have competition in that area, and then that competition will lower the price of those services. I would suggest to you that all that will do is cause greater confusion in the marketplace and very little cost savings to the consumer.

Mr Marchese: OK. Thanks.

The Chair: We still have about a minute and a half. Mr Arnott, you're next in the rotation.

Mr Arnott: I want to thank you very much again for your presentation today. I'm not an electrical engineer, as you may guess. I don't know if there are too many of us around this table, so your presentation is very helpful in terms of giving us some of the technical background as to how some of this works.

I'm wondering about smart meters, and I know the government is committed to moving forward in that direction. What kind of electrical infrastructure is required for a smart meter to work? Do you need a dedicated telephone line for the smart meter to receive and send the information back and forth? Is it a coaxial cable? Do we have the infrastructure right now to enable people to put a smart meter in their home and have it work? What's required to make that happen?

Mr Kosnik: There's a number of decisions that have to be made with regard to the type of meter we're going to be using, so we could use a standard meter going forward.

The other issue that you've alluded to is the communication issue: uploading and downloading information. We're not talking about taking one meter reading per household any more. We're talking about 1,720 readings per household per month, and you multiply that by the customer base. So it's a massive issue with regard to data.

The question with regard to downloading information: We currently have smart meters that are in use for industrial and commercial customers, customers that are over 500 kW, and we use the telephone line. Off hours, between, say, midnight and four in the morning, we certainly use a telephone line, and we use that as a means of communicating and getting information.

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Mr Arnott: It's a dedicated telephone line, I assume?

Mr Kosnik: In our case it is a dedicated telephone line, but certainly from a consumer perspective, I suspect 99.9% of consumers have telephones in their homes and I suspect that would be another opportunity of using that piece of equipment.

There are other technologies available: fibre optics, radio frequency and things of that sort. Technology is not the issue. It's a matter of going forward using the most common databases and the most common technology so that we don't have an over investment in some of this communication technology that will skyrocket the price of providing that service.

Mr Arnott: I think you've pointed out from the perspective of the local distribution companies some of the issues that have to be brought forward. The association of local distribution companies made a presentation in Toronto and did an effective job in that regard too, but I think it's important for the government to work hand in hand with what we used to call our public utilities commissions as we move forward in this regard.

Mr Kosnik: Absolutely.

The Chair: Thank you very much, sir.

CLAIRE McALLISTER

The Chair: I now ask Claire McAllister to come forward, please. Good afternoon and welcome.

Ms Claire McAllister: Good afternoon. I have Jim McAllister, my husband, here as well, if that's OK. I haven't provided copies for everyone but I hope that's OK.

The Chair: You can now proceed.

Ms McAllister: I appreciate the opportunity to address this committee concerning Bill 100. Previous to Mr McGuinty's election as Premier of Ontario, he supported deregulation and privatization of electricity. When 42 cities, representing about seven million people in Ontario, passed resolutions against deregulation and privatization and for retaining public power, he campaigned in support of public power. However, once in power he is now embracing privatization, along with Mr Duncan, as a solution to Ontario's electricity needs. Does this government have any integrity if it doesn't respect the will of the people?

The public system in Ontario has been operating well for almost 100 years. It looks like the governments of Harris-Eves and now McGuinty-Duncan have created a crisis of debt and supply and present privatization as the only option. There is no evidence anywhere in the world where there has been privatization of public power that has worked in the best interests of the people and provided cheaper power.

Why are we going this route? Because of the ideology of privatization? We all know that markets are designed to operate for private interests, and that means profits. Rates will increase considerably when you have to add in the profits to the generators, distributors, retailers and shareholders. We need only to look to the United States, and in particular California, to see how greedy corporations can manipulate the market. There, Enron created the crisis that caused so much chaos and blackouts and huge increases in rates that deleteriously affected so many people and businesses.

After costing billions of dollars, and much more, to reverse the decision, 20 US states backed away from the deregulated electricity market. Today, all states and provinces using competitive pricing have much higher prices than they did before the deregulated market was introduced. In fact, public power is cheaper around the world. Electricity rates in Ontario are 18% lower than private power in the United States. So why the push to private power? Can Mr Duncan clarify his stand? He has been quoted as saying, "Electricity is a great place to invest." Well, I think we know what that means: tax breaks and incentives to attract investment.

The people of Ontario own the asset, and this government, like the previous government, wants to give it away. Our government wants to privatize profits but the public gets to keep the debt, as in the case of the Bruce nuclear plant giveaways: leasing two for the price of one. The leasing company gets to keep the profit while Ontarians continue to pay the debt on them. The citizens of Ontario will have to pay for all damages when accidents

occur and bear the cost of clean-ups at Bruce. Additionally, major repairs, which are incredibly expensive and always way over budget and well behind schedule, will be the responsibility of us, not the lessee.

When these plants have to be shut down and decommissioned, as they surely will after around 30 years of operation, guess who assumes full responsibility for the guarding of these radioactive mausoleums with their tonnes of radioactive materials that will have to be guarded for hundreds of thousands of years, as well as the cost of decommissioning? It's not only all those radioactive spent fuel rods but it's also all the mine tailings that go along with the mining of uranium—Elliot Lake, with tonnes of mine tailings, Saskatchewan, anywhere in the world where there is mining of uranium. It's not the lessee, who simply closes the door and walks away. For the lessee, it is a no-lose situation, with no upside for Ontarians.

This government and the previous Conservative government, it appears, seem to put private investors' interests ahead of those of the people of Ontario. Under then-Premier Mike Harris, a sweetheart deal was concluded whereby private investors bought three hydro-electric plants in northern Ontario at a bargain price for export to the Michigan market. These plants, which were producing power for less than one cent per kilowatt hour, charged the Ontario government 17 cents per kilowatt hour when it had to buy power during a power shortage.

Bill 100 gives the Ontario Power Authority the ability to sign contracts for electricity when the market doesn't supply it. The bill also opens the door for private investment in building capacity. It leaves the door open for the building of coke-fired plants, such as the one proposed in Thunder Bay, which cause serious health hazards. The risks and costs are transferred from suppliers to consumers.

Ontarians do not want private, deregulated power and the government does not have a mandate to proceed with this action. Instead of having stable pricing and environmental protection, NAFTA will ensure permanently entrenched high prices for power in Ontario if the government doesn't close the electricity market. When export controls are removed, we will not be able to guarantee adequate supply in a shortage. It will go wherever and whenever the owners decide.

Under American ownership, which is most likely, we will be subjected to the higher-cost American electricity market. This will have a devastating effect on the Ontario economy, the engine of the Canadian economy due in large part to our low-cost and reliable electricity, and will cause untold hardship on Ontarians, especially those most vulnerable.

Has the government given any thought to how the elderly, the poor and those on fixed income will cope with the double whammy of higher electricity costs, skyrocketing energy costs and the new health tax? There are millions of Ontarians who will be devastated if the level of our electricity costs reach those of the United States.

This government needs to be taken to task for its total lack of planning or policy development on innovative ways toward conservation. Since this government has been in power, there have been no concrete steps taken to create incentives for conservation. A new report suggests that Ontarians are using more electricity now than before the blackout of last August. If the weather had been normal this summer instead of unseasonably cool, the resultant pressures on the electricity supply would have been disastrous. Ontario, after almost a year of Liberal rule, still has no comprehensive conservation plan in place. On the other hand, California, within weeks of the electricity crisis, instituted a wide-ranging conservation program that immediately saved, and continues to save, huge amounts of electricity.

With all due respect, John Manley and Jake Epp, two former federal cabinet ministers with many ties to the corporate world and the nuclear industry, were singularly unqualified to render an unbiased opinion as to what is wrong with Ontario's electricity industry and how it should be fixed. Their solution was a foregone conclusion.

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Even in this morning's *Globe and Mail*, there were dire warnings from Steve Thomas, an internationally recognized energy expert and a senior research fellow at the University of Greenwich in London. He contends that Ontario should go back to the proven practice of mandating a government agency, like the old Ontario Hydro, to ensure adequate power supplies.

"To abandon the old, publicly owned monopoly model, which, despite some faults, has a good record of ensuring supply security over many decades, in favour of a model with, at best, a mixed track record, seems unduly risky."

In 1908, a Conservative Adam Beck concluded, after surveying the Ontario electricity scene, that public power was the key to Ontario's prosperity. It would provide low-cost and reliable electricity. He was right on both counts. Why would we want to tamper with success?

The Chair: Thank you very much. In rotation, this time we have Mr Arnott, the government and then the NDP. We have about three and a half minutes for questions.

Mr Arnott: I want to thank you for coming in and expressing your view today. I don't have any particular questions. I want to compliment you on your articulate presentation. You asked some questions of the government, and, by good luck, we have the Minister of Energy here, and I would certainly be willing to allow him to use my time to answer and respond to some of your statements and questions if he chose to do so.

Hon Mr Duncan: I'd rather leave it to committee members.

The Chair: I think we'll let the committee members—carry on with your question, Mr Arnott.

Mr Arnott: I just thought the minister would in fact use the time and would wish to respond to some of the questions you raised, because you make some very valid points.

The Chair: The minister has duly noted the questions, and, at an appropriate time, the minister will respond. Mr Arnott, it's your opportunity for questions.

Mr Arnott: Well, he's sitting right here, and I was just thinking it might be appropriate. He's got a microphone.

Ms McAllister: Could I ask a question, maybe? Has the government sought a legal opinion on the effect free trade will have on its proposed electricity privatization? If there is a legal opinion, will this government make it public?

Hon Mr Duncan: First of all, yes.

Second of all, you and Professor Thomas, I think his name is, want to go back to a \$38-billion unfunded liability that relies on nuclear—

Mr Marchese: Sounds like you guys—

Hon Mr Duncan: No, it relies on nuclear. I mean, we're 50% nuclear. You're opposed to that, but you want to go back to the model that produced that.

Interjections.

Mr Marchese: Please, Ted, he's doing fine.

The Chair: Mr Marchese, please.

Hon Mr Duncan: Mr Arnott asked for my response.

Third, we have the dirtiest coal plants in North America, which were built by Ontario Hydro, and no money invested to upgrade them.

Fourth, we have been an electricity importer for almost 25 years; that started under the previous government. Here in Windsor, if we didn't have access to the US market, we wouldn't have lights. I don't know if you've ever heard of the Lake Erie loop, but that's how we imported the blackout.

Interjections.

Hon Mr Duncan: Let me finish, because I listened attentively to a lot of misstatements, things that weren't accurate and certainly were incomplete.

That's one thing. So if you're suggesting energy self-sufficiency, we agree. You're not going to get it inside of 10 years, minimum. I think people have to be realistic about that. Part of our problem in Ontario—and by the way, you also said our prices were lower than in the United States; the fact is, we're about midpoint. California is the highest—way, way higher than us. I don't think I'd want to emulate them on price; the same with New York. Michigan, Illinois and Ohio are within a cent or two of us. A range of US jurisdictions are below us. The lowest-priced power is in Quebec and Manitoba, and I would submit to you that that has to do with the fact that they have the good fortune to have a topography—we have exceeded our demand.

Mr Marchese: Do you have any other questions?

Interjections.

Hon Mr Duncan: I was asked to respond, so I'm responding. I want to respond more completely.

Finally, the reason those are lower-priced is because it's hydroelectric. Mr Marchese's government cancelled the Conawapa dam project in 1992. Had we done that,

we wouldn't be in this pickle. His government also cancelled every demand-side management program the old Ontario Hydro had, and you ought to be ashamed of that. In the last Parliament, they voted against putting on a price freeze, and then in this Parliament they voted against taking it off. The hypocrisy around Mr Hampton's argument, which you've put, which is an incomplete, inaccurate and, frankly, wrong argument—I disagree with you entirely on your premise.

The other thing you failed to mention is that we are not deregulating price. In fact, we're reregulating price. You need to read the legislation, with respect. The polemic you and Professor Thomas from England offered—we're regulating prices. I have these guys in the private sector telling me, "Don't do that."

So I just want to set the record straight on those things. I appreciate the time to respond, Mr Arnott.

The Chair: Mr Arnott, you still have about 30 seconds.

Mr Arnott: I listened to the minister's strong response to the witnesses who have come forward. I would again point out a statement that the current Premier, the former Leader of the Opposition, apparently made during the last election: "I will not move to deregulation. I will not move to privatization. The market is dead."

Certainly their current policy does appear to be different from that.

Ms McAllister: Are you moving toward privatization?

Hon Mr Duncan: No. We've said explicitly that we're not selling—that's what this is all about. Read the legislation. It's called "heritage assets." You have to listen to that. We're not privatizing. In fact, we're reregulating price. I thought the opposition would understand that.

Mr Arnott, we reject what your government did entirely—entirely. We are reregulating prices for small consumers. The challenge we have with large consumers is, we're giving them the freedom to take the regulated price if they want or to get other electricity if they can. But we're offering a reregulated market.

Mrs Cansfield: Mr Chair, if I may, just on a point of order and a piece of information, because you had identified that the people of Ontario will be paying vis-à-vis the nuclear waste: It is my understanding—and I cannot give you the figure at this point, but I will get it for you—that the industry itself has set aside those funds separate from the debt load to deal with that issue. Elizabeth Dowdeswell is running a commission at the federal level on that issue. So it will be done.

The Chair: Thank you very much for your presentation.

I would ask one more time if Mr Stack from Great Lakes United is here. No.

That concludes our hearing this morning and this afternoon. Thank you very much for your input.

The committee adjourned at 1246.

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ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
SOCIAL POLICYCOMITÉ PERMANENT DE
LA POLITIQUE SOCIALE

Tuesday 24 August 2004

Mardi 24 août 2004

*The committee met at 0900 in room 228.*ELECTRICITY
RESTRUCTURING ACT, 2004LOI DE 2004 SUR LA RESTRUCTURATION
DU SECTEUR DE L'ÉLECTRICITÉ

Consideration of Bill 100, An Act to amend the Electricity Act, 1998 and the Ontario Energy Board Act, 1998 and to make consequential amendments to other Acts / Projet de loi 100, Loi modifiant la Loi de 1998 sur l'électricité, la Loi de 1998 sur la Commission de l'énergie de l'Ontario et apportant des modifications corrélatives à d'autres lois.

RICK COATES

The Chair (Mr Jeff Leal): Good morning, everyone. I'd like to welcome you to the standing committee on social policy. We're reviewing Bill 100, the Electricity Restructuring Act, 2004.

I would ask Mr Coates to commence his presentation. You have 15 minutes. Any time you don't use will be available for members of the committee to ask questions. Welcome.

Mr Rick Coates: Ladies and gentlemen, my name is Rick Coates. I'm a technical officer with the Independent Electricity Market Operator and also the Society local vice-president for the IMO. I've been in the electricity industry for over 27 years. During that time, I've been involved with the operation of Ontario's generation and transmission assets in various locations. This experience has given me a unique insight into Ontario's electricity industry.

Although there are many aspects of the industry that need to be addressed, I have come here today to talk about the future of coal-fired generation in Ontario. The Ontario government has stated that it will be phasing out coal-based generation by 2007. I hope to explain that this is not a feasible goal and that there are better alternatives to pursue.

What do we have now in coal-fired generation? Ontario has about 30,850 megawatts of available generation capacity. The portion supplied from coal-fired generation amounts to more than 7,500 megawatts; in other words, about 25% of Ontario's generating assets.

Coal generation has a high capacity factor. This means it is available to generate more often than many other generation sources due to the availability of the fuel and maintenance cycles. Coal generation has the ability to follow load. This is a necessary feature in a power system such as Ontario's, since other types of generation, such as nuclear, some hydroelectric and wind, are not suited to this. Coal-generated electricity production costs are lower than any other sources of electricity, save hydro, wind or solar.

Ontario's coal generation represents billions of dollars in assets. Ontario's coal generation is in the right place. The transmission system is, by and large, adequately built to take advantage of this generation without extra cost. This type of generation is inexpensive and employs about 1,400 people across Ontario, since it is a relatively labour-intensive way to generate. This means good-paying jobs in Ontario that help spur the economy in the province.

These generating stations are already built. They are here right now and will benefit the economy for years to come at lower costs. The production costs in US cents per kilowatt hour of generation by fuel source, as calculated by the Nuclear Energy Institute in 2002 are as follows: nuclear, 1.71; coal, 1.85; natural gas, 4.06; oil, 4.41. The market prices in Canadian cents per kilowatt hour of generation by fuel source are indicated by figure 5.G, "Price Setting Fuel in Ontario," from the Electricity Conservation and Supply Task Force paper, as follows: nuclear was unavailable since nuclear does not set the price in the IMO market; coal, 3.38; gas, 7.64; and oil, 8.00.

With this, there would be an annual extra fuel cost of \$1.6 billion if gas were used to replace coal. These calculations use task force paper prices, as stated above, and the IMO-published 2003-04 annual energy use of 151.47 terawatts. To put this sum in perspective, the difference, if present coal stations were left in service, would build 950 megawatts of clean coal generation or 2,300 megawatts of natural gas generation per year, or it would be a \$130 saving for every man, woman and child in Ontario per year if the present coal stations are allowed to generate past 2007.

It is apparent from these costs, prices and calculations that coal is necessary to keep prices reasonable in Ontario and to keep Ontario's economy competitive. This is particularly true when we reflect that the US intends to

leave its present coal fleet in service and is pursuing new generation that will in part be fuelled by coal.

There is a belief that coal-fired generation is a huge contributor to our smog and resultant health problems. Let's put this in perspective. It is stated in Environment Canada's greenhouse gas information for 2001—the latest published figures in database form—that about 20% of Ontario's production of gases is from electricity and heat generation. With this data, it is apparent that electricity is hardly the one and only culprit polluting our province. It is also apparent from historical smog data that much of our pollution comes from across the border. This means that our coal plants contribute significantly less than 20% of the total smog in Ontario. Coal is hardly the only contributor to smog in Ontario. Coal-generated smog is a problem that we should plan on phasing out over a longer period of time than three years.

Now I'm going to talk about the individual facilities.

The Lakeview facility: The 1,140-megawatt Lakeview facility is scheduled to be closed by April 1, 2005. This is the last of two generating facilities that have existed during recent times in the Toronto core.

Allow me to outline why this is significant. There has been, there is and there will be challenges in moving electricity into Toronto. There's a lack of transmission and inadequate equipment that are placing Toronto in a precarious supply situation without improvements.

One obvious answer is to have reliable generation where the load is. The Lakeview site is already in the right location. There are significant transmission system upgrades planned to alleviate the thermal and voltage support problems that will be left when Lakeview is shut down. These expenditures come from taxpayers' pockets. This money would be better spent on other transmission system improvements needed in Toronto and throughout the province. It is also underscored in many reports and illustrated by Ontario's shortages in the recent past that we need more generation than is presently installed.

Therefore, the Lakeview site should be redeveloped so that generation is close to the load and transmission construction money can be better utilized. The four generators still operating at Lakeview should be kept in service while this new generation is being developed. The new generation should be suitable to be used as baseload generation in order to support the Toronto load on a continuing basis.

There are a couple of reasonable choices for this, as follows: gas cogeneration and clean coal generation. Gas has a high fuel cost and, therefore, is expensive as a baseload generator. Gas generation can become competitive if there are industrial, commercial or residential uses for the waste heat. Gas generation also has the advantage of lower building costs when compared to coal. Gas generating stations also have a small footprint. This would be an advantage, since Lakeview is in a city location. Gas prices are expected to rise in real terms over the next 20 years.

Clean coal generation: Coal fuel costs are relatively low and can run competitively as a baseload generator.

Coal-fuelled generation would become even cheaper if the waste heat was used for industrial, commercial or residential processes. Coal generation has the disadvantage, when compared to gas, of higher building costs. Coal generating stations have a larger footprint, since coal storage and transportation take room to accommodate. This would not allow the city to take advantage of the potential park and development lands that are currently occupied by OPG. Coal prices are expected to be stable in real terms over the next 20 years.

The Nanticoke facility: There are economic and logistical reasons to leave Nanticoke in service while rehabilitating and refitting these units on an ongoing basis. The Nanticoke facility has eight generators that produce 500 megawatts each. The generation is well placed in the transmission system. There are no barriers to transporting this generation to the load centres. This means that new transmission would not have to be built to accommodate 4,000 megawatts of generation if Nanticoke is left in service.

Nanticoke stabilizes the system and allows Bruce nuclear generation to reach load centres in the GTA. More transmission from the Bruce development would have to be built and/or more risk to Ontario's power system would have to be accepted if Nanticoke were shutdown.

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It helps alleviate a voltage decline limit between London and the Michigan border. The generation available from Brighton Beach, TransAlta, Lambton, Michigan and other generation sources in the area would often be stranded west of London if Nanticoke were not in service. If Nanticoke were shut down, transmission lines and voltage support devices would have to be put in place to overcome this limitation. Shutting down Nanticoke would strand Niagara generation and New York imports more often. The Queenston flow west thermal limit would often be limiting to Beck and other area generation sources without more transmission being built.

Two of the Nanticoke generators have been refitted to remove most of the nitrous oxide and sulphur dioxide before it goes up the stack. These measures have brought these units within present and scheduled future environmental standards.

Shutting down Nanticoke would cost taxpayers untold money in replacement generation, upgrades in the transmission system and improvements to the control systems.

The Lambton facility: The Lambton facility consists of four 500-megawatt units. Two of these units have been refitted to meet environmental standards. With an environmental refit to the other two units and ongoing upgrades, these units could provide relatively clean and economic power to Ontario in the near and mid-term. Due to their border location, these units could also economically export into Michigan to provide power to the Detroit and Chicago areas. This would be beneficial to Ontario's economy.

The Thunder Bay and Atikokan facilities: Northwestern Ontario is an area that is not well connected with

the rest of Ontario. This creates a question of sustainability of supply in the northwest. The hydroelectric resources in this area are inadequate by themselves, due to the lack of capacity and uncertainty of energy supplies. This leaves fossil-fired generation to make up the difference when loads are high and hydro energy reserves are low. Alternatives to these coal plants would be the construction of new transmission into the area or new generation. Either of these replacements would be very expensive.

How does coal-fired generation fit into our future? As we progress from a carbon-based economy, there has to be a feasible, economic plan to integrate and eventually phase out all carbon-based generation in Ontario. This leaves conservation and noncarbon-based generation, such as wind, nuclear, geothermal, small hydro and solar, as the future sources of power in Ontario.

During this time of transition, carbon-based energy sources should be used to supply peak power and fill the gaps when energy sources such as wind cannot. If we progress to a noncarbon-based economy over a longer period of time, there is a higher probability that transmission improvements and new generation can be built without damaging Ontario's economic future.

A longer term before shutting down the present coal-based generation will alleviate the need to build too much new carbon-based generation. This will help us avoid excessive capacity capital costs that will be financed by taxpayers. Generator building costs are as follows: gas, about \$350 million per 500-megawatt unit; clean coal, about \$850 million per 500-megawatt unit. These are costs we should avoid, where possible. Thank you.

The Chair: We have about a minute and a half for questions. The rotation this time would be to the NDP, but they have no one here. We'll go to the government side for a question, quickly, and then we'll go to Mr Arnott.

Ms Kathleen O. Wynne (Don Valley West): I just want to make one point. You agree with us that we have to move away from coal generation. There isn't an argument about that. You're arguing about timing?

Mr Coates: Absolutely. The only way you can overcome shutting down coal in this time frame is basically to build a lot of gas generation. There is nothing you can get out there in that time frame, except of course for conservation. But conservation won't cover that type of generation.

Ms Wynne: OK. But you're not arguing that we can make coal generation clean enough to deal with the pollution issues.

Mr Coates: I don't think you can make coal or gas clean enough over the long run to meet the standards we'll eventually have to meet.

Ms Wynne: OK. We agree on that.

Mr Coates: Yes.

The Chair: Mr Arnott, 30 seconds.

Mr Ted Arnott (Waterloo-Wellington): You're from the IMO, and your organization is the expert on supply issues. You're telling us that if we move im-

mediately to close down coal-fired generation by 2007, we have to build a lot of new gas-fired generation.

Yesterday, this committee had the privilege of touring the Brighton Beach gas generating facility in Windsor. We were told it took about two years to build. Normally, it would take years of approvals leading up to it. How is the government possibly going to stimulate the development of the new gas-fired generation that's going to replace one quarter of the baseload of the province of Ontario?

Mr Coates: I'd say you shouldn't do that. From a financial point of view, it's ludicrous. Why would we go from one polluting source to another polluting source when eventually we all know that the goal is to get off all polluting sources? It makes little sense. We can clean up the coal to a certain extent. We'll need gas anyway, and gas cogeneration makes sense in some instances. But to go whole hog and build billions of dollars worth of gas generation and cost the taxpayers \$130 per person in Ontario—these are figures I took off a couple of federal Web sites. That's a huge cost to build that gas generation.

The truth of the matter is that you have a power system in Ontario that is falling apart before your eyes. I deal with this day in and day out. I deal with the day-in and day-out problems of the system. We have generators that need a lot of work. We have a transmission system that you don't hear too much about, but it's in terrible shape. We have a huge investment to make in the next few years, and to waste it on building too much gas generation is a stupid idea; I'm sorry, but that's as plain and simple as I can get. I've been in this industry for a long time and, to be honest with you, there have been a lot of bad decisions. I want to see some good ones. One of the good ones would be to go for clean generation. But don't replace it with another sort of clean generation; go to the clean generation and leave the coal in service, because it's there; it's not costing you a whole lot as far as upkeep is concerned. I'm not saying you should put billions of dollars into this, but keep these units running with the end result being that you'll have totally clean generation and then you shut them down as you can.

The Chair: Thank you very much, Mr Coates. We appreciate your input this morning.

TRANSCANADA

The Chair: I now call the TransCanada group: Mr Taylor. You have 15 minutes, and if we can squeeze in some questions, we certainly will. Welcome.

Mr Bill Taylor: Good morning. My name is Bill Taylor, and I am the vice-president of eastern region power for TransCanada. I'm pleased to be here this morning and have the opportunity to speak to this distinguished committee.

I know you've been sitting through many hours of presentations and opinions from folks on these matters, and let me say that I can appreciate your patience; this can be pretty boring stuff. So if I lose you somewhere along the line today and you take only one thing from my

remarks, please let it be this: Non-government funding of energy infrastructure in Ontario can work. TransCanada has built some of the largest, most efficient energy infrastructure in North America for natural gas over our almost 50-year history. This has not been done with the need to tap into the public purse. The electricity sector in Ontario can, and should, follow this same path, and you, as leaders, should have that goal firmly in your minds as you embark on finalizing Bill 100.

Let me begin by giving you a quick overview of TransCanada. Our company is focused on two aspects of the energy sector: gas pipelines and electric power. At year-end 2003, we had over \$20 billion invested in these businesses, and we are growing. So far in 2004, we have invested approximately another \$3 billion, including a pending acquisition of the GTN pipeline system connecting western Canada to the California gas markets. The graphic on the screen shows you the extent of our current gas transmission assets.

On the power side, our business is also growing. The second graphic shows you the locations of TransCanada's 20 operating power stations, which total some 4,700 megawatts across all different fuel types, including hydro, coal, nuclear and natural gas. Additionally, TransCanada is the general partner and manager of TransCanada Power, Limited Partnership, which is Canada's largest power-based income fund. In Ontario, TransCanada is a large investor and operator of plant and equipment, with average expenditures close to \$250 million each and every year.

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Before I leave this slide, I would like to highlight Bruce Power, which is shown in the graphic in yellow. TransCanada is an investor and owner of one third of Bruce Power, and we support the comments provided by Mr Duncan Hawthorne directly to this committee yesterday. Bruce Power is a great example of what operational excellence can do, and it has proven what private generators can do for Ontario. TransCanada is proud of Bruce Power and all the success that its dedicated employees have achieved.

Now let me turn to our company's perspective on Bill 100 and the continued evolution of the electricity sector in Ontario. First let me say that we applaud the minister and Premier McGuinty for taking necessary further action in this sector. This business is evolving, it's complicated and it requires continued attention.

Of course, the primary goal of the power sector should be the provision of uninterrupted, adequate supplies of energy for the people and businesses of Ontario. Bill 100 has this as its foundational goal, as it should.

The blackout of August 2003 reminded us that the cost to the economy of a relatively short interruption of electricity supply can measure in the billions of dollars, so while supply decisions are tough and of course come at some cost, the cost to society of inadequate supply is significantly greater. As the important work of the government addresses these matters through this committee and in the Legislature, we would encourage you to keep this fact at the top of your minds.

We agree that increased diligence and focus on the planning of the electricity system, both on generation and transmission, is vitally important. We agree with the creation of the Ontario Power Authority and with its mandate.

Another very important element of supply planning, which Mr Coates actually just touched on, is consideration of the long-term fuel mix that is appropriate for Ontario. Such decisions will affect costs, affect air quality and may directly affect various communities across Ontario. We are encouraged that Bill 100 has begun to address these questions head-on.

New supply, either to replace the aging coal-fired capacity or to meet the growing demands in the province, is definitely required. I say this not in any way to ignore or diminish the importance of demand management or conservation initiatives. These two can provide needed megawatts and should continue to be actively encouraged. Electrical supply equipment, however, is capital-intensive. It's expensive. This applies not only to new generation sources but also to the maintenance of the existing sources. Private sector funding of the necessary electrical infrastructure will allow scarce public funds to be directed to other priority areas. As Bill 100 outlines, the benefits of private sector competition can be created on a project-by-project basis to encourage the least expensive supply options.

The auction processes like those underway by the Ontario Power Authority are an example of this. This is effective economics and, at the same time, will meet the environmental objectives that have been set out for Ontario. Again, really good stuff.

However, the use of auctions and supplementary capital payments necessary to encourage the supplies is a blunt instrument. Real issues are created regarding how this new supply will interact on the price margin with the unsupported competitive market elements. Bill 100 calls this coexistence of competitive and regulated elements a hybrid market. Also, there is discussion of hybrid pricing for consumers, again a mix of regulated and competitive elements. This may indeed be workable, but we would suggest it will be challenging. TransCanada believes it is most important for you to address the fragile balance that this hybrid approach will create. The remainder of my remarks today will be primarily focused on this issue.

At the wholesale level, some electricity supplies will be regulated under Bill 100, the so-called prescribed generators that are the OPG baseload resources. Also, supply from the new clean-generation RFP will in effect be required to bid this supply at marginal costs. Marginal costs do not include any fixed or capital costs. These sources of supply will recover all or a good portion of their capital costs in a discrete way, either through a capital support payment or otherwise. This is fundamentally at odds with the competitive supplies that must recover all of their costs from the market price of energy. We suggest to you that the regulations and the detailed market rules to follow must be structured to address this important matter. A failure to do so will mean that a

naturally competitive market in Ontario will never be able to flourish and that government will have to continue to support new supplies directly if these matters are not addressed.

It is important to recognize that the various sources of supply, whether existing generation, prescribed generation—which was the former OPG supply—or from the OPA-led auctions, produce the same product at the end of the day: reliable electric energy for the consumers of Ontario. As such, these different categories of supply need to be treated equitably. This can be achieved through the introduction of market rules or structures that support capital costs in the market pricing of power. We urge the government to consult with all stakeholders and with the IESO to achieve this goal.

Finally, let me quickly cover a few other areas as I conclude my remarks.

Bill 100 touches on the need for consumers in Ontario to see, understand and ultimately pay the real cost of power. This is most important, and we agree with this critical point.

As I touched upon earlier, conservation initiatives should continue, and the results of such in terms of the impact they have on the supply-demand balance should be monitored carefully by the OPA and taken into account in their ongoing planning efforts.

The stakeholder advisory committees that have been established by Bill 100 should be crafted carefully to be as direct and effective as possible. Investors in this industry will only come to the table to the extent that their voices can be heard in the market structures that operate the market.

I will close by emphasizing the point that clarity, consistency and transparency across all the agencies of the Ontario government that are involved in this sector must be achieved. Ontario Power Generation Corp, the OEB, the ministry, the IESO and now the new OPA all must be headed steadfast in the same direction in order for this to work for Ontarians. Private industry, whether as consumers creating or retaining jobs in the province or in bringing the needed new supplies to the table, requires this clarity and consistency of purpose so that confidence can be regained in the sector and so that we can jointly build the necessary critical energy infrastructure that Ontarians require.

TransCanada and I sincerely thank you for the opportunity to speak to you today and for your attention to these matters. I'm happy to answer any questions if the members have any.

The Chair: Thank you very much, Mr Taylor. We have about four minutes, and we'll start with the government side on this rotation.

Mrs Donna H. Cansfield (Etobicoke Centre): Thank you very much for your presentation. I have two questions to ask. One is, I noticed on your diagram that the pipeline goes along the river and captures a number of the different hydroelectric dams that are there. Have you ever done any generation—there's wind and hydro; has there ever been gas and wind?

Mr Taylor: Gas and wind generation are often combined from the perspective that wind generation, much like run-of-river hydro, while it's predictable over a period of a year that you're going to get about a 30% capacity factor or so from a wind generator, you obviously don't know exactly when the wind is going to blow and when that generation will be available. So, oftentimes it can be combined with natural gas-fired generation that can provide support for that generation in periods of time when the wind doesn't blow.

Mrs Cansfield: Do you have examples of where that occurs?

Mr Taylor: One example is the initiatives that are underway at present in the province of Quebec. Led by Hydro-Québec Distribution, there are RFPs underway for generation driven by wind energy, and then in addition our company, TransCanada, is participating in a process where we're building a 550-megawatt resource in Bécancourt, Quebec, which is fired by natural gas.

Mrs Cansfield: My other question had to deal with conservation initiatives. Can you give me some examples of the conservation initiatives that TransCanada has put in place on the demand side?

Mr Taylor: TransCanada is directly involved in the generation business. We support the conservation initiatives and we recognize that it can be equivalent to, in terms of the money invested in conservation initiatives, the results that can be achieved with generation. But we as a company have not embarked on such.

Mrs Cansfield: I was thinking more of on the research and development part in terms of demand. But that's fine. Thank you.

Mr Shafiq Qaadri (Etobicoke North): First of all, thank you to you and TransCanada for your testimony. In slide number 5 you make reference to having a number of US operations—I guess power generation plants and so on. I wonder if you might address for us, with your US experience, three issues: the reliability of supply, the pricing that eventually the consumer sees and the self-sufficiency of financing—meaning, is it wholly financed privately, are there public-private partnerships, do you float bond issues or what exactly do you do?

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Mr Taylor: Maybe I'll start with the third question first, if I may, which is the issue of financing. The jurisdictions in the US that TransCanada is most active in are New York—the electric system in New York is managed at the state level. As well, we have investments in generation in New England, which is a multi-state market that is referred to as the New England Power Pool, or NEPOOL for short.

In both of those jurisdictions, there is very little public involvement in the industry other than through regulation. These markets are fully deregulated. The price of power at the wholesale level is ultimately flowed through to consumers at the retail level.

This was embarked upon through a series of deregulation initiatives which have occurred over about the last 15 years in those regions. Over that time they did

have a period where they eased in, if you will, from regulated pricing to a fully competitive market. But those initiatives—I can speak to New England at least—are just about coming to an end, where the “full” price of power is being flowed through to consumers at the retail level.

In terms of financing of new resources, that has become an increasing challenge with the financial distress that has come upon certain merchant generators in the US markets. However, there are recent examples in New York and New England where new generation is being financed, generally through the contracting of resources on about a 10- to 15-year time frame. An example I can use specifically would be an RFP that was recently issued by Consolidated Edison, of New York, for new generation on Long Island and in Manhattan. That has been supported through the contracting of resources for some period of time.

The Chair: Mr Arnott, do you have a 20-second question?

Mr Arnott: Yesterday we heard a concern expressed in Windsor that the government is amending the Electricity Act and the Ontario Energy Board Act to eliminate the words “to facilitate competition in the generation and sale of electricity and to facilitate a smooth transition to competition.” The witness said that deleting this passage, which currently exists in the Electricity Act and in the Ontario Energy Board Act, is the wrong signal to send to an already nervous market.

Being in the business of attempting to provide additional electricity supply to the province of Ontario, would you agree with the statement that this is the wrong signal to be sending to the private sector?

Mr Taylor: Yes, we certainly would agree with that.

Mr Arnott: Why do you suppose they’re taking that out of the act? Is it just symbolic, or do they really mean it?

Mr Taylor: At this point, through the efforts of this committee and through the development of the regulations, our company’s view is that we’re unsure why those moves were taken. But as I said in my remarks, we as a company remain committed to making investments in Ontario to the extent that structures are created in a manner that will allow us to earn a fair return on our investments in the province.

Mr Arnott: But you would agree that private sector companies are not necessarily going to look at Ontario as a favourable place to invest, to the extent that they’re questioning the government’s commitment to a continued market-based system?

Mr Taylor: I would agree with that, yes.

The Chair: Thank you very much for a very informative presentation.

CONSTELLATION ENERGY

The Chair: Next I would ask Mr Weir, of Constellation Energy, to come forward, please.

Mr Rob Weir: Good Morning. We’d like to thank the committee for giving us the opportunity to speak with

you today. We plan to limit our formal remarks to less than 10 minutes, to give time for questions. We would request that you reserve 30 seconds at the end of our time slot for us to summarize some key messages.

The Chair: Fair enough.

Mr Weir: With me today is Carrie Cullen-Hitt, our vice-president of regulatory affairs for Constellation Energy, based out of Baltimore, and Gary Wight, our director of regulatory affairs and business development here in Ontario.

We didn’t prepare an electronic presentation, so I’ll do my best to try to keep you on the right page as we flip through this. What we thought we’d do is give you a quick introduction to Constellation Energy, since we’re relatively new to Ontario.

Constellation Energy is a Fortune 500 company that evolved out of Baltimore Gas and Electric, the oldest continuously operated utility in the United States. Constellation has grown into the largest supplier of competitive electricity energy in North America, serving over 24,000 megawatts of end-use load. We are active in all deregulated markets in North America.

I’ll just flip to our interest in Ontario, because it’s rather diverse. Constellation has been active in Canada for almost three years. We participate in the retail and wholesale markets in both Ontario and Alberta. In Ontario, our retail division, NewEnergy, has a professional staff of 20 people serving the electricity requirements of commercial and industrial clients since May 2003. Some of those clients include companies like Burger King and Shoppers Drug Mart, and a number of large industrials that perhaps would rather be unnamed.

In addition to retail sales, our interest extends to the wholesale and generation segments of the market. Our affiliate, Constellation Power Source, is active in the Ontario wholesale market as both a buyer and a seller. Constellation Power Source is currently exploring opportunities to act as a load-serving entity working with a number of Ontario distributors. CPS is also examining opportunities to act as an asset manager for generation proponents.

On the generation side, Constellation Generation Group plans to participate in the 2,500-megawatt RFP. In addition to greenfield developments, our generation group is interested in the redevelopment of brownfield sites in Ontario.

Going to the next slide—Confidence in the Market?—we clearly recognize your commitment to a hybrid market, and we’re here today to support the implementation and design of Bill 100. Given the opportunity to speak to you today, we thought it would be important to provide some feedback on our perceptions of where we are today.

The Ontario market is two years into a state of partial deregulation or deregulation, depending on your perspective. However, the market is barely functioning at this point. Since the market opened, we’ve had a history of rapid regulatory change. All the while, the government has maintained the OPG monopoly that participates in

generation and retail markets but makes no meaningful contribution to the wholesale market.

On Bill 100, it would appear that the primary purpose is the establishment of the OPA, which may facilitate the development of new generation but does little else to move the market forward in its development. The draft regulations we've seen to date, while encouraging, provide a high-level proposal for the regulated pool; however, there are major gaps in the drafting as it is to date. The result is a high degree of uncertainty.

Moving to the next slide, we are often asked what it would take to get a generator to invest in Ontario, so we're going to try to talk more in the third person as opposed to Constellation specifically.

First and foremost, we need access to customers. Customers can take the form of competitive retailers, load-serving entities or utilities. Selling contracts to customers provides the revenue certainty required to build generation. Since there is no framework in Ontario to create buyers, the government has been forced to create the OPA.

In addition to this very significant point, there are four other things that Bill 100 does not address: a market free from monopoly influence; a market characterized by many buyers and many sellers; a market that seeks to depoliticize its reforms and minimize government intervention; and a stable market framework.

On future direction, and we'll sum up with this, why should the government promote competition and private investment? First and foremost, to shift the risk from the ratepayer to the investor: to create a market characterized by accountability; competition will drive efficiency; and price stability, which we know the government is very concerned with, will be achieved through new entrant generators and diverse ownership.

With respect to the conservation culture, conservation will only succeed if customers are engaged in the market. Consumers require price signals. Once consumers have price signals, they will require products and services to manage price and conserve energy. Competitive retailers will efficiently connect consumers to the market.

That concludes our formal remarks. We'd be pleased to take questions.

0940

The Chair: We have almost nine minutes for questions. We'll start with Mr Arnott in this rotation.

Mr Arnott: Thank you very much for your presentation. I think you've outlined in very simple terms why government policy is so important to encourage private sector investment and create the new generation that we need.

I would agree with you that Bill 100 has some holes in it, certainly, that have yet to be fleshed out, and that creates concern; that creates uncertainty. A couple of the business organizations that have been in have expressed the concern, as I indicated in my previous round of questions, that Bill 100 amends the Electricity Act and the Ontario Energy Board Act, in a symbolic way or explicitly—I'm not sure; I'm still looking for that

answer—which would lead you to conclude that they're taking a step away from encouraging a market-based system of electricity. Do you have concerns about that as well?

Mr Weir: In fact, our perception right now is that the government is taking positive steps toward encouraging new entrant generators. We certainly have concerns about the resulting competitive market, if you like, but we recognize and support right now the current initiative. So I'd take a bit of a different view: We think, while they are taking small steps, they are certainly going in the right direction.

Mr Arnott: But clearly if companies are going to come forward in the next three years to build gas-fired generation or whatever, whether it be wind or solar or what have you, to replace the 25% that may very well be lost if the government proceeds to phase out its coal-fired generation immediately, we have to have company involvement yesterday, in a big way, and there has to be greater certainty, as far as I'm concerned.

Mr Weir: Absolutely. I would agree with that.

Mr Arnott: Thank you.

The Chair: The NDP not being here, we'll next go to the government for a round of questions. Mrs Cansfield, the parliamentary assistant.

Mrs Cansfield: Thank you very much for your presentation. I know that a lot has been said about this Bill 100 deletion from section 1 of the Electricity Act and the Ontario Energy Board Act about facilitating competition. However, I believe there is an answer, and the answer lies in the new regulation, item 4: "Identify and develop innovative strategies to encourage and facilitate competitive market-based responses and options for meeting overall system needs," and that's within the OPA's function. So my question to you is, should it be in the OPA's function or should it stay with the OEB? I would presume you'd like it deleted out of the OEB and put into the function of the person who is doing the supply.

Mr Weir: I see Carrie nodding beside me, so potentially she could be more eloquent than myself.

Ms Carrie Cullen-Hitt: My response to that would be that while there are—and it's almost to your point as well on this absence of the word "competition" itself and whether or not that's symbolic or meaningful. Quite frankly, we have no real way of knowing that. We see what we read and engage in dialogue today to hopefully get some more answers to that.

In terms of whether or not there's real competition if it goes to OPA, to simplify your question, I would argue that gets you halfway there. If OPA is making purchases for a certain chunk of supply in the market, that's half of your hybrid model, but what's the other half in terms of the competitive retail side and the competitive wholesale side for generators that are not going via OPA? What happens in the electricity wholesale market and what happens on the retail side?

Mrs Cansfield: I don't disagree, but if you look at the regulation as it's laid out, I think it identifies the issues that you're speaking to. My issue was the fact that

competitive market-based responses are in our thinking in terms of their having been identified within the OPA and its function, as opposed to the OEB's function.

Ms Cullen-Hitt: Two quick responses. First, from my reading of things, I didn't see a clear mandate. While it may exist in dialogue, I didn't see a clear mandate that competition was an ultimate goal on the retail and the wholesale sides. I guess it's embedded somewhat in the hybrid model, but even though there's some language, it wasn't as explicit as it might be.

Second, whether or not it should be in the OPA or the OEB is, I think, a policy decision. Really, the ministry or Parliament needs to decide where that best should be executed.

Mrs Cansfield: It is currently decided: It's in the OPA regulation. But I would welcome your new wording, if you have some, to identify the clarity of that issue.

The Chair: Ms Wynne?

Ms Wynne: I just wanted to explore this with you, because there's a central issue here about the balance between the market and government. We keep hearing people from different perspectives coming and saying, "Too much government," or, "Not enough government."

So you've said that you recognize our commitment to this hybrid model. Yesterday the minister said that we're actually involved in an exercise of reregulation because we're trying to get some stability and some control. At the same time, we're trying to encourage people to come in.

You said—I don't know the slide number—that one of the four things that Bill 100 doesn't address is a market free from government intervention. How is that consistent with your understanding of what we're trying to do?

Mr Weir: I think that's one of the more enduring challenges that you'll have. We recognize that government has a significant role to play in the transition from, I'll say, the old Ontario Hydro monopoly to where we're going. So we recognize that and we recognize perhaps the need for the OPA.

When you look at a market free from government intervention, when you look at investment in generation, if you make a decision to invest hundreds of millions of dollars, you can't then have a government or a successive government turn around and change the rules. When you look at investing money, you need to know that there's a framework that not only the current government is going to work with, but you have some confidence that successive governments will work with the same framework.

Ms Wynne: As long as we keep getting elected, we can guarantee that.

But I guess the question is, how do you respond to citizens who say, "We want to make sure that our government's involved in the delivery of this essential commodity, this essential service. This isn't just a transitional role that we see for government. This is an ongoing regulatory role that we see for government." What's your response to those citizens, because we will hear from some of them today?

Mr Weir: That is in our summation remarks, but we'd like to see the OEB take on more of a policy-making role, and that would be where it is, as opposed to policy-making by the current government.

Ms Wynne: OK. I didn't read your summation remarks.

Mr Weir: No, no, you're not supposed to. It was a nice segue.

The Chair: Are there any more questions from the government side? We have about two minutes. Mr Arnott, would you have any?

Mr Arnott: My friend Mrs Cansfield made reference to what she called, I think, OPA regulations. I don't have copies of those draft regulations, I presume? I was wondering if they have been tabled with the committee. Are they public? Are they secret? Would you be willing to table these with the committee so that the members of the Legislature who serve on this committee have an opportunity to view those regulations? I would ask the question of you, Mr Chair, because I don't think those regulations have been tabled with the committee as of yet.

The Chair: We'll ask the PA to help us out here.

Mrs Cansfield: Obviously, I didn't bring them because they're not part of the bill. They're draft regulations that have been put out. They've been on the Web for a while, so you can download them off the Web, Mr Arnott. But maybe we have an extra copy we could give you as well. There are three regulations out.

Mr Arnott: I'd certainly appreciate receiving a copy and making sure that all members of the committee have such.

I would pose one last question to the presenters who are here right now. The thing we're concerned about in terms of certainty is that we heard yesterday a statement by a witness—and it wasn't refuted, to the best of my knowledge, by the government—that before the election, Dalton McGuinty, then the Leader of the Opposition, was quoted as saying, "I will not move to deregulation. I will not move to privatization. The market is dead."

You put some of these facts together, including that statement he made prior to the election—now, maybe it was just a politician making a statement that he didn't mean, that he wasn't sincere about; he was just hoping to reassure people or get their votes before election. But this is the root concern that we as an opposition party have.

Mr Weir: Just very briefly, our ongoing challenge across many of our business lines is the lack of certainty.

The Chair: One minute for your summation, sir.

Mr Weir: In summary, we want to emphasize that we acknowledge and accept the government's commitment to the hybrid model. We do want to work with you on the design and implementation of the hybrid market model.

We do think the government needs to renew its commitment to the decontrol of OPG. That doesn't necessarily mean the sale of assets but the decontrol of OPG. As a monopoly, OPG should not be participating in the retail market. Furthermore, a monopoly in generation does not provide price transparency nor a level playing field for new generators.

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With respect to the government setting a framework for the market, we strongly support that the government have an ongoing role and set the framework for the market, but we think they should follow through and give the OEB the mandate for greater involvement in policy development.

Finally, the competitive wholesale market does require the competitive retail market. That's a part of it that's frequently left out. We talk about a wholesale market and we don't talk about the need for a competitive retail market, and the two go together.

That concludes our remarks.

The Chair: Thank you very much for a very informative presentation and thanks to your colleagues too for being with us this morning.

CANADIAN ENVIRONMENTAL LAW ASSOCIATION

The Chair: Next I will ask the Canadian Environmental Law Association counsel, Theresa McClenaghan, to come forward, please. Good morning, and welcome to our committee.

Ms Theresa McClenaghan: Thank you for inviting us to appear today. My name is Theresa McClenaghan. I am counsel with the Canadian Environmental Law Association. I have provided to Ms Stokes, the clerk, a copy of our remarks today and I've also provided to her a copy of clause-by-clause amendments to the bill proposed by the Pembina Institute for Appropriate Development, with whom we have been working on many recent energy initiatives and which the Canadian Environmental Law Association supports. I will be speaking to a few of those today.

The Canadian Environmental Law Association is a non-profit public interest organization established in 1970 to use existing laws to protect the environment and to advocate environmental law reforms. It's also a free environmental advice clinic for the public and will act at hearings and in courts on behalf of citizens and citizens' groups. It's funded by Legal Aid Ontario and is one of 79 community legal clinics located across Ontario, 15 of which offer services in specialized areas of the law. We also undertake educational and law reform projects funded by government and private foundations.

CELA is working currently with other legal aid clinics, housing advocates, anti-poverty organizations and environmental groups on the environmental and social justice issues of affordable electricity, with emphasis on energy conservation and ensuring basic energy self-sufficiency for low-income residents of Ontario.

We also have a history of work on sustainable energy issues and most recently conducted a study together with the Pembina Institute for Appropriate Development, Power for the Future, a copy of which was presented to you by Dr Mark Winfield in his presentation on August 12.

I wish to address the following points in today's submission: (1) Bill 100 and the protection of public

safety and the environment; (2) Bill 100 and low-income consumers; (3) Bill 100 and a culture of conservation; and finally, Bill 100 and the future supply mix, specifically sustainable renewable energy.

First of all, with respect to Bill 100 and the protection of public safety and the environment, we propose, as set out in the wording provided to you in the Pembina handout, that the bill should be amended to provide a new purpose: "To protect public safety and the environment, and promote economic and environmental sustainability in the generation, transmission and distribution of electricity." Inclusion of public safety and environment, as well as environmental sustainability in addition to economic sustainability, is essential to ensure that decisions made at all stages in the electricity system include those aims.

In addition, there may be arguments as to whether economic considerations do in fact include environmental costs and it must be, in our submission, made explicit that economic considerations do include environmental life cycle costs of sources of energy for electricity production. For example, in comparing prices, do we include the environmental costs of mining, emissions resulting health impacts, accident liability, waste management and disposal? These costs must be included in economic comparisons and other choices made under Bill 100.

Although environmental sustainability appears implicit in the bill, for example, by directing the Ontario Power Authority to develop an integrated power system plan that is designed to assist in the government's achievements of its goals relating to the adequacy of the electricity supply, including from alternative and renewable energy sources, in section 25.28, this objective should be explicitly stated in the purposes of the act.

Public safety and protection of the environment must also be explicitly included as a purpose and as a factor in the mandates of the IESO, the OPA and the goals of the minister's directives in section 25.28. Evaluation of public safety must include the entire life cycle of the source of electricity supply and the risks of accidents. The irreversibility of accidents must be one consideration in Ontario's future electricity mix.

The second point we want to address is Bill 100 and low-income consumers' access to electricity supply and conservation programs. Again, we propose that Bill 100 should be amended to include a new purpose: "To ensure the access of low-income consumers to the electricity supply and conservation programs." While protection of consumers' interests and encouragement of electricity conservation are both stated purposes of the act in the amendments proposed by the bill, it is necessary to explicitly state that one of the purposes of the bill is to ensure access by low-income consumers to electricity supply and conservation programs.

It is expected that electricity prices will rise in Ontario. It is not appropriate to maintain an artificial price cap for electricity prices, and CELA submits that prices must be more realistic in order to achieve a sustainable

electricity supply in the province. However, at the same time, as you heard in earlier presentations on August 12 from the Advocacy Centre for Tenants Ontario and from the Toronto Environmental Alliance, both of whom are also founders of the Low-Income Energy Network, energy costs present a disproportionate burden to low-income households. A number of factors conspire to increase the risk that rising energy costs present to these households, including the lack of manoeuvrability in household budgets, the strain that a utility increase presents, the risk of failure of equipment if it is aging and the greater likelihood that many of those with the lowest incomes have electric space and water heating.

Electricity is a basic daily necessity in Ontario for cooking and heating. As a matter of justice, changes to the electricity system that will result in higher prices, which we do support, must be accompanied by measures to ease the burden that this will place on the lower-income households. In addition to measures to ensure access to electricity supply, it is also incumbent on the Ontario government to introduce measures that provide access to conservation programs for lower-income households. The capital costs of many conservation programs present an insurmountable barrier for many, even though reduced consumption might pay for the conservation measures. Programs designed to accommodate this reality must be explicitly provided in Ontario and must be encouraged by the design and purposes of Bill 100.

Third, Bill 100 and a culture of conservation: The purpose clauses that are presently in Bill 100, in (b) and (d), should be combined, in our view, as provided in the Pembina handout, to read, "To promote, in order of priority, energy conservation and efficiency and load management, the use of renewable energy sources and the use of clean energy sources, in a manner consistent with the policies of the government of Ontario."

As it stands, the bill does not establish a priority for conservation measures over new supply of electricity. A culture of conservation must be instituted and embedded in the structure of Bill 100 and the resulting institutions.

As you heard from Dr Winfield in his presentation on August 12, 2004, our Power for the Future report found that, based on existing well-accepted technology alone, a 40% reduction in electricity consumption in Ontario by 2020 compared to a business-as-usual approach is very realistic. This would be accomplished by ensuring that Ontario's decisions and policies encourage a high rate of adoption of today's best technologies, from an energy conservation point of view, over that time frame.

One of the striking findings in the study is that most of the expenditures to adopt conservation technologies would be spread across a large variety of sectors and incorporated in their normal business costs. For most of these sectors, the implementation costs would be recovered through the reduction in electricity consumption resulting from their adoption of lower-energy technologies.

We outlined a few policy steps in that report that would encourage such conservation measures. At this

juncture, with the reassessment of the vision for Ontario's electricity future represented in part by Bill 100, we submit that the bill must establish a hierarchy with conservation measures ahead of new supply.

The mandate of the Ontario Power Authority must be similarly modified to ensure that its mandate includes supporting environmentally and economically sustainable electricity supply and supporting the hierarchy of goals in order of priority, beginning, as we said, with energy conservation and efficiency, load management, use of renewable energy sources and the use of clean energy sources. Suggested wording is included in the Pembina Institute amendments to which I alluded earlier.

In addition, some specific amendments are needed regarding the conservation bureau which is to be established by Bill 100. Either the conservation bureau is intended to be an accountability mechanism with respect to conservation, or it's intended to be embedded in the power authority's power supply plan. In particular, if it's intended to be the latter, the power authority should be required to incorporate the conservation bureau's forecasts and assessments regarding energy conservation and load management into its assessments of the adequacy and reliability of electricity resources. On the other hand, if the prime rule is one of accountability, then the conservation bureau should function separately from the Ontario Power Authority. Mechanisms are needed to ensure that efficiency and conservation measures are, in either event, incorporated into the power supply plan and that the programs are actually implemented.

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Finally, Bill 100 and the future supply mix, specifically sustainable renewable energy: As has been vividly demonstrated in Ontario and much of North America with recent events in the electricity sector, the time has come to put a premium on sustainable renewable energy. For the electricity supply that is needed, even after conservation measures are pursued, the province should establish a hierarchy of renewable and clean sources of electricity. The bill must include provisions to evaluate renewability and to compare environmental effects of various types of supply on a life cycle basis.

The Chair: Thank you very much. For this rotation, the NDP would be up first, but they have no members here this morning. I'll go to the government and then to the Tory caucus. Does anybody from the government have a question?

Ms Wynne: I want to talk to you about the conservation amendment that you're suggesting. I understand you want conservation to be the primary focus and generation after that. I guess you could argue it both ways, that they're parallel processes, that one needs to be part of the other. But my big concern is—and you're pretty close to the community on this and you have a lot of activists who work with you—how are we going to get the message out, as a government and an activist community? What's the thing we need to do to change behaviours, in your opinion?

Ms McClenaghan: Well, in our view, and in my opinion, it's not enough to just talk about the fact that we

have to be good citizens and do the right thing—that works in a crisis, as we saw last year—but we need a sustained approach to conservation. So we need to embed conservation in the way we make our decisions. That means that the systems and the equipment that are used by all of us in our everyday life, not only in our household but indirectly through the products we purchase, through the institutions we visit, the businesses we patronize, all have to have economic incentives to pursue conservation ahead of new generation, because conservation is much more sustainable.

In addition, the changes that are needed at a household level for everyday citizens are often capital-intensive. They have a big payback for the province as a whole, because were the entire citizenry to make a wholesale change to much more efficient technology, we'd reduce especially some of the peak demand during hot and cold weather, which of course, as you know, reduces some of the requirements for new supply or baseload. So it's important to make it possible for people to afford new technology that will actually reduce their energy consumption.

I think people did start to appreciate last year, during the unfortunate blackout, that everybody's efforts do make a difference. I think it's often a barrier that people think one person's efforts don't matter. But when we broadcast that across the whole society and when everyone realizes they're not just carrying the freight for everyone else, that everyone's doing that, then it makes a difference.

Ms Wynne: I guess I see that education function as the work of the conservation bureau.

Ms McClenaghan: That's part of it.

Ms Wynne: Yes, that's part of it. That's the reason I'm encouraged that conservation is being given that status.

Ms McClenaghan: Yes, but if I may, one short-coming I see is that the conservation targets, at least as I read the legislation, are not anticipated to be mandatory, so there's a real fear that because of concern over ensuring adequate supply, the supply side of the mix will overtake the conservation side. In fact, we should set mandatory targets. We should strive, we should set policy to be very, very aggressive on conservation and then pursue supply just for what's remaining.

Ms Wynne: OK. Thanks for your comments and thanks for the amendments.

The Chair: Mr Arnott, please.

Mr Arnott: Thank you very much for your attendance today and your presentation. I think you've made your points very clearly and effectively. This committee appreciates your input, for sure.

You've focused a lot on the issue of conservation. You've raised some very important questions about the government's commitment to conservation, and you've suggested some amendments as to how the government could re-emphasize or underline its commitment to promoting conservation.

You've also pointed to a study, the Power for the Future report, which suggests that it's possible to have a

40% reduction in electricity usage if we take conservation to its complete emphasis and degree possible. You say it's very realistic.

What is the base you're comparing the consumption in 2020 to and saying it could be reduced by 40%?

Ms McClenaghan: It's 2020 versus 2020. It's business as usual versus what we could achieve with conservation measures. We didn't actually hope for new technology; we didn't hope for new inventions. We used today's best existing technology. We used today's forecasts for natural gas, electricity and other prices. And we looked at the very modest policy changes that would be needed, such as incentives, quicker payback periods for industry and that kind of thing, which alone would promote quite a large shift in many sectors—90% to 99% uptake of today's best technology by that year.

Mr Arnott: How much would you be looking to industry to contribute to that 40% goal, versus residential consumers, for this ratio?

Ms McClenaghan: The study showed that, as a whole, between now and 2020 about an \$18-billion expenditure across society would result in 40% conservation. Compared to other numbers that are being proposed for possible building of new supply, that's not as alarming a figure as one might think. Furthermore, a large proportion of that figure is recovered, whether it's a private individual or a business, through their reduced energy consumption. So although it's a large expenditure, it's recovered. The issue often is the payback period.

Mr Arnott: When I was first elected to the Legislature in 1990, the New Democrats were of course in office and they talked about promoting conservation. They had a bill before a predecessor to this committee called Bill 118. I think they were going to spend up to \$6 billion to promote conservation efforts through the resources of Ontario Hydro at that time.

Why do you think the New Democrats were unsuccessful in terms of promoting conservation to the extent that they had hoped to achieve? What lessons could be learned by the current government and future governments?

Ms McClenaghan: This study isn't relying on government to spend \$6 billion or \$18 billion. This study is talking about looking at the existing climate, including business payback decisions and tax the environment, and saying that a few policy changes with aggressive targets right now, today, while we're engaged in this discussion about our future supply mix, can achieve enormous dividends by 2020, instead of counting on starting to build massive new capital for new supply.

The Chair: We certainly appreciate your presentation this morning.

DIRECT ENERGY

The Chair: Next I would ask the Direct Energy group to come forward. Mr Massara and Mr Mondrow.

Mr Paul Massara: Good morning, ladies and gentlemen. Thank you for this opportunity to come before the

standing committee. We would like to make a number of points this morning, but first of all we would like to just give you something about our credibility and our credentials.

Direct Energy is part of Centrica PLC, which supplies over 40 million customers every single day. We've invested \$2.5 billion in Ontario. We serve 1.7 million households. That's half the households in Ontario. Over 500,000 customers have come to us to take retail choices, in terms of fixed-price electricity contracts. Some 700,000 customers came to us to take fixed-price gas contracts.

Not only are we active in the retail market; we're also very active in the upstream generation market. In the UK, we have 2,600 megawatts under ownership. We have just bought our first plant, 350 megawatts, in Texas. We have 3,000 wells in Alberta to supply over 300,000 households with gas.

So we're involved in a unique way from many of the people you'll hear today. We're both upstream and downstream, and we believe it's the leveraging of those two positions which creates shareholder value and gives us a unique perspective on the energy markets.

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In terms of the points we'd specifically like to make today regarding Bill 100, there are three main messages we would like to get across. First of all, we've heard from other parties that deregulation hasn't worked and there are no clear markets for that. We fundamentally disagree with that. We believe there are clear examples of sector models that have worked and attracted new capital in deregulated environments.

In the United Kingdom, probably the most successfully liberalized market in the world, over 16,000 megawatts of privately owned generation has been built and commissioned over the past 10 years. Additionally, 3,000 megawatts is still being built. Furthermore, with the introduction of market changes to get market pricing, prices to residential consumers fell by over 30%.

In Alberta, reserve margins improved from 10% to 20% after the market opened up in 2000. In Texas, over 22,000 megawatts of new capacity has been added in the last four years with a free and open market. We believe there are plenty of examples of how a free market can attract capital.

The second point we'd like to make is about the essential role of retail in attracting new private sector generation. The government has clearly signalled an objective of securing new investment in a manner that transfers investment risk from ratepayers to taxpayers to investors. We believe that the retail side is absolutely essential in terms of being able to create a balanced and fair market. Where the government is now is that they have set a framework. They have to start from where they are, and they are not taking an ideological approach; they're taking an approach which is to deal with the problem they've got. The retail market has to be part of that. The retail market allows, effectively, long-term investors in power projects to offset that risk by con-

tracting with third parties and diversify their counterparty risk. The requirement, we understand now, with the OPA coming in and contracting, is a different type of risk and remains the risk of ratepayers in the longer term. We believe the retail market is an essential part of that deregulation.

The third point I'd like to make is about the essential role of retailers in achieving conservation. We believe there is substantial new investment needed. In order to make conservation work, people have to understand what consumers want. We have to be able to educate consumers, and we have to bundle up products and services in a way that they can understand and make use of.

We have examples of this. Direct Energy Business Services responded on behalf of its customers in the aftermath of the blackout. From our Mississauga site, we reduced over 900,000 kilowatts of demand remotely via computer to a number of sites, reducing their total demand by 40%. That's banks, hotels and a number of other branches of stores. We believe there are examples today, there is technology today, and we are in the market to create choice and to effectively create conservation. At the end of the day the free market is in a far better way to deliver those savings than through regulated plans.

In particular, evidence from the UK has been that they set up a conservation program which was based upon allocating a certain amount of funds for reduction and conservation. After three years they widely recognized that as being a disaster in the sense that they hadn't effectively targeted the funds to the output. The new program they have requires retailers to be in the marketplace and target any payments they get related to actual conservation that they've achieved as opposed to programs they've set up.

We believe fundamentally that the government is in the role of setting policy but that the free market and retailers in particular can actually be used as a tool to implement that. Again, in the UK that has been proven time and time again, both in terms of renewable obligation certificates and in terms of conservation: The government set the policy but retailers in the free market set the lowest price of actually delivering that.

Fundamental to all of that is our restatement that we believe it should be in Bill 100 toward free market competition. We've heard from a number of people that it is in there. Nevertheless, in order to attract investment it is a healthy signal that it remain in there as opposed to being taken out.

We have specifics on Bill 100 which we will send in by writing. I'm happy to take any questions.

The Chair: Thank you very much. In this rotation, we have the government caucus first.

Ms Wynne: I'm sorry, I missed the beginning of your presentation.

Mr Massara: That was the best bit.

Ms Wynne: I'm sure it was.

The Chair: Just before we have the question, could you identify yourself for Hansard, Mr Massara.

Mr Massara: I'm Paul Massara, president of Direct Energy for Canada.

Ms Wynne: You talked a little bit about the program that's in place now, but there has been money given to LDCs to promote conservation; I believe \$225 million has been put in to promote conservation measures locally. Can you comment on the efficacy of that?

Mr Massara: Referring back to the UK, I think we would have major issues with that. It's a bit like giving money to 25 different charities—maybe 93 different charities. They spend the first 50% getting consultants in and plans and marketing, and then the final 30% gets to people who need it. Our view is that doing it through the LDCs is not the most efficient manner.

Ms Wynne: So you want it to go directly to—

Mr Massara: I think it needs to be targeted to people by results. It doesn't matter who does it, whether it's the LDCs or retailers, but they should be targeted by the results—the actual conservation benefits they've saved—not by programs.

Ms Wynne: So it's not so much where the money has gone, it's the strings or lack of strings attached to it. Is that your concern?

Mr Massara: I think the governance around it needs to be in place, and it should be open to all, whether it's retailers or the LDCs.

Ms Wynne: OK. Thank you.

The Chair: Further questions?

Mr Arnott: I want to thank you very much for your presentation. I'm glad you've had the opportunity to express your view. You didn't leave us with any paper, but certainly we have the Hansard record of what you said. I'm sure the committee will give consideration to your expression of views as we move forward; at least, I hope that would be the case.

Do you currently have salespeople on the street selling contracts to consumers, or has that program ended?

Mr Massara: We do for gas and home service products. We don't have anybody selling electricity for small residential. The commercial market is still open, and therefore people are out there selling commercial, along with other players.

Mr Arnott: Do you have a code of standards for salespeople, in terms of the integrity of the sales pitch and how that is made, and in terms of consumer protection if they change their mind afterward? Can you tell me a little about that?

Mr Massara: Sure. There are a couple of things there. One is that the government actually has detailed policies relating to that, in terms of the rights and obligations of consumers in making choices.

We ourselves have effectively two or three levels of compliance, training and accreditation. We do criminal and background checks of all the people we hire. We then do training. People have to go through accreditation and training before they're allowed out, then supervised. We then have spot checks and a compliance program that goes above it.

So we've moved significantly over the last three years from, I think, the bad days that used to exist in Ontario when Centrica bought Direct Energy and we transitioned. The complaint ratio now is 0.2% of our customers who have any complaints on our sales side.

Mr Arnott: I haven't received a lot of complaints in recent months, but certainly I did receive some from constituents.

Mr Massara: We believe it's fundamental. One of the things you're dealing with here is a marketplace where people don't readily understand. It's about consumer information. They need to have that conversation, and they need a longer time to actually talk about issues and make that choice.

Mr Arnott: I assume your salespeople do work on a commission basis?

Mr Massara: They work on a salaried position and a commission basis top-up.

We are making a written submission here, and I will hand out the speaking notes I have today.

Mr Arnott: Thank you very much.

The Chair: We have a couple of minutes.

Mrs Cansfield: I'm pleased to hear that you're going to distribute your notes, but I also would like you to provide the other options that you're identifying as alternatives. If we could have those as well, that would be welcomed.

Mr Massara: Sure, we can do that, in terms of the experience from the UK. We believe that's very valid.

Mrs Cansfield: Absolutely, and also in dealing with the local distribution companies and how you see the alternatives to what's being proposed.

Mr Massara: Absolutely. We will do that.

Mrs Cansfield: I appreciate that. Thank you.

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The Chair: Ms Wynne?

Ms Wynne: I just wanted to come back to the central point: the balance between the free market and the public good. I would just ask you to address the issue of nervousness. People don't always think a totally free market serves the public good. That's the fine line we're trying to walk here.

Mr Massara: I agree with that. It's difficult, and I think the government has taken a very practical approach to where they are. But at the end of the day, I don't think it serves consumers, in the long term, any benefit to give them subsidized electricity. I think they need to be able to be informed about the choices they make. I think they need to be informed about conservation. It is not enough simply to put in smart meters everywhere without the marketing plans and the choices available to individuals, and quite frankly, I'm not sure government is best placed to effectively carry out all that education. The retail market and capital is willing to go into that marketplace because they believe they can create that benefit and help educate consumers at the same time. We fundamentally believe that.

Ms Wynne: Fair enough. Thank you.

The Chair: Thank you very much, gentlemen. We certainly appreciate your input this morning.

THE CASE FOR PUBLIC POWER

The Chair: I'd now ask Ron Bartholomew, of The Case for Public Power, to come forward.

Mr Ron Bartholomew: There are three of us, and we aren't all Bartholomews.

The Chair: For Hansard, sir, which one is Mr Bartholomew? Are you going to be speaking?

Mr Rod Anderson: The three of us will be speaking, and I will introduce everyone.

The Chair: Thank you very much. Welcome, gentlemen.

Mr Anderson: Thank you, Mr Chairman, for the opportunity to present to your committee. Three of us are going to be making this brief oral presentation. My name is Rod Anderson. I was a practising chartered accountant in a past life. With me are Ron Bartholomew, an engineer and former vice-president, production, of Ontario Hydro, and Tom Campbell, a former deputy minister of finance and a former CEO of Ontario Hydro.

We represent The Case for Public Power, a group of nine concerned electricity customers with over 300 years of utility, accounting, project management and financing backgrounds at the executive level. A brief resumé of each member is attached to our written submission, which we will be tabling with you today. None of us, I might say, has any financial interest in the electricity sector. While there are many stakeholders in the sector, our focus is on finding the mix of private and public sector participation that best serves the interests of the electricity ratepayer and the Ontario economy.

I will give a brief introduction, Ron will provide an overview of our main recommendations and Tom will give a concluding summary. Other members of our group in attendance today, in the background, are Jack Biddell, Rob Burton, Elgin Horton, Bob Strickert and Boyd Upper.

Each of us has watched in dismay as a series of actions by Ontario governments of all stripes over the past decade created a serious crisis in the electricity sector:

A failed experiment in deregulation and privatization accomplished nothing but higher electricity costs and 10 years of lost opportunity;

Dependence on natural gas for electricity generation increased without knowing from where and at what price the gas might be available;

Worst, there has been no meaningful long-range strategic planning of the electricity supply and delivery system for more than 15 years, and until recently there has been no authority designated to take charge of this mess and correct it.

I'm going to start with what we agree with in the proposed legislation.

We applaud the continuance of public power in Ontario. Public ownership of the essential electricity

sector was the key to Ontario's prosperity for the past century. Ontario industry managed to stay energy-competitive in spite of the province having few remaining sources of primary energy. And it is a fact that the customers of public power in North America have, in general, benefited from lower electricity prices over the years compared to the customers of private sector power utilities. We believe Ontario is making the right choice for the future to keep our heritage electricity assets in public hands.

We also applaud the return to central strategic planning. It was obvious that market forces were not providing a secure supply of future electricity generation and were leading to a dangerous increase in dependence on natural gas.

We also strongly support the concept of establishing an authority to take control of the situation—not a return to the old Ontario Hydro but rather a powerful planner and implementer to encourage significant private sector involvement, where appropriate, in all phases of both demand and supply options for the future.

Finally, we support the government's stated determination to keep a transparent, arm's-length relationship between future governments and the electricity sector.

These are all positive and essential first steps. Something like the draft Bill 100 is important and desperately needed first aid, but is it enough? Our written submission outlines four major issues which we believe still require resolution.

Ron will now outline for you the most important of our recommendations.

Mr Bartholomew: There are four issues that deserve further attention.

First, deregulation of the electricity market: This was a bad idea in the first place and doesn't get any better with the proposed hybrid arrangement of some deregulation of a small part of the market and regulation for the rest of the market. John Manley recently stated that he couldn't find anywhere in the world that deregulation had worked effectively. Even without the marginal pricing fiasco of the past two years, any amount of deregulation is clearly bad news for the average electricity ratepayer. We recommend that Bill 100 finish the job and permanently kill this failed experiment in deregulation.

Next, subsidization: It's not too well known that some of the electricity ratepayers have been subsidizing all of the province's taxpayers for years through hidden taxes in water rentals and bond guarantees, fees for which the province has no offsetting costs. Lately, the tax grab from ratepayers has been significantly escalated. This is illogical, unfair and regressive. By "regressive" we mean that, in many cases, low-income earners are required to provide subsidies to higher-income earners. It could be corrected by a small and simultaneous adjustment to both electricity rates and tax rates, leaving the province revenue neutral, and could be easily explained as a tax adjustment, not a tax increase. This should be addressed in Bill 100.

Next, the power authority mandate: The issue that concerns us most is that planning and financing of future

additions, rehabilitations and retirements of the bulk transmission and generation assets are now badly fragmented. The newly proposed Ontario Power Authority, the newly named Independent Electricity System Operator and the existing Ontario Electricity Financial Corp all have a piece of the action. This could be corrected by having the system operator and the Electricity Financial Corp both continue their functions as merged components of the new power authority. This would streamline the necessary interface with the government and the Ontario Energy Board on strategic energy planning matters. It would also reduce bureaucracy and cost by having only one board of directors and shared support staff.

We believe that in order to dispel the sea of misinformation that now exists, the new power authority must become the province's recognized source of reliable and current data on all aspects of the electricity sector. We also believe that the legislation must clearly spell out a set of charter guiding principles for the new power authority.

Next, the concept of debt financing: Debt financing is poorly understood. We've heard a lot of misinformation about the problem of hydro debt. We believe most of this was hype to facilitate the previous government's plans to sell off utility assets.

The concept of using long-term debt to acquire long-life infrastructure assets is totally appropriate, particularly when a no-fee provincial government guarantee is applied. Prudent use of debt financing helped build a 28,000-kilometre province-wide bulk transmission system, a province-wide communication system, 68 hydraulic stations and a fleet of fossil and nuclear plants. However, debt financing only works if enough is spent on maintaining the assets to ensure that they continue to operate over their planned economic life. In the past decade, because rates were frozen at unrealistic levels, such maintenance was not done and performance deteriorated, especially in the nuclear program. As a result, financial performance deteriorated. But statements of hydro debt becoming a burden on taxpayers are nonsense.

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Current hydro debt is much larger than it needed to be, partly because of unnecessary Darlington financing costs that were in turn caused mainly by government-mandated delays in construction. However, that total debt—which, incidentally, is smaller, on a per capita basis, than the hydro debt of either Quebec or Manitoba—can and should be managed by the electricity ratepayers of OPG and Hydro One. That debt is not and should not become a burden on the province's taxpayers. However, the management and public reporting of that debt do need simplification. Again, we believe that Bill 100 should address this issue.

Finally, we wish to comment on the choices facing Ontario for primary energy, from which electricity is made. We believe that aggressive conservation efforts are needed but that conservation alone will not be sufficient.

There are not many economical-to-develop hydraulic sites left. With coal being phased out and natural gas availability uncertain, it seems clear that renewable sources will have to be encouraged and more nuclear stations will have to be built.

Maintaining energy independence has always been a challenge for Ontario. This is still not easy, because Ontario has become a have-not jurisdiction when it comes to primary energy sources. That means that Ontario must plan very carefully to stay both energy-independent and competitive.

Our written brief makes a set of more detailed recommendations on each of these four issues. Tom will now summarize.

Mr Tom Campbell: There's no simple answer to Ontario's electricity supply crisis—and we have a crisis. We need to develop all the options that make sense, and the new Ontario Power Authority faces a daunting task to find the right balance. The government needs to enable the Ontario Power Authority to move quickly on several fronts: conservation, wind, hydraulic and nuclear.

The Ontario Power Authority will need to work closely with both the government and the Ontario Energy Board to balance the need for rate increases, which they will need, with the need to keep Ontario's economy cost-competitive. That's the key problem facing us all. The latter is critical if the province wants to continue to deliver our social programs, for example.

The making of rational choices is clearly dependent on having realistic and current data on the economic, environmental and social costs of all the options. Such data does not now exist. This is a big problem. The last comprehensive analysis of the data was done by Ontario Hydro in 1989.

The recently published data comes from vested interests and lobby groups. We find that such data is often extreme and biased and unnecessarily critical of other options. The public is often left guessing about the factual answers to questions such as: How much do wind and solar really cost if there's no government subsidy? How reliable are nuclear industry estimates of cost and schedule? What's the total realistic potential and cost of undeveloped hydraulic sites? What's the realistic cost and availability of natural gas in the longer term? That's probably the biggest pitfall that we're facing. We have a list of others in our brief, which you'll see.

It's clear that decisions are now being made based on opinion, and often biased opinion. We must not repeat the poorly informed decision of a few years ago, when the government of the day forced Ontario Hydro into signing so-called non-utility generation contracts at inflated long-term prices that have apparently caused a recent write-off of \$4.3 billion. Guess who has to pay for it? The ratepayers.

We are living in a sea of misinformation with respect to believable electrical energy data. One of the most important tasks for the new Ontario Power Authority is to quickly become the provincial resource centre for factual data on the electricity sector's future choices. I think

there's a real opportunity here. They could engage, for example, the engineering and economics faculties of some of our leading universities and colleges to assist them in gathering this data and keeping it current.

The Ontario Power Authority also needs to become the province's recognized authority on where the rate-payers' dollars go. For example, how much goes to production costs? What are the taxes? What are the hidden taxes and fees? There are billions of dollars at stake here. What are the real debt servicing costs and the debt retirement payments? In fact, the Ontario Power Authority needs to become the recognized authority on all data relating to the electricity sector, both in Ontario and, for comparison—and we need this—in neighbouring jurisdictions.

For example, we heard how wonderful it is in England. But a friend of ours lives in London. I called her and said, "How much are you paying for electricity?" We converted it to Canadian dollars, and it's 24 cents a kilowatt hour, as opposed to about 10 cents here. That's an important piece of information for us to have when we're comparing ourselves to other jurisdictions and how their systems work. Also, the media need a reliable source of data to encourage informed public debate on future options.

We recommend that Bill 100 refrain from being prescriptive on the sources of future primary energy. The legislation should make clear that the primary stakeholder is the electricity customer, with a concern for the competitiveness of the Ontario economy being paramount, and security of supply and environmental responsibility as part of it.

We are deeply concerned, in reviewing Bill 100 and particularly the regulations that have just come out, because we see a tendency here for the government to attempt to micromanage the implementation of energy policy rather than setting up the responsible authority, such as the Ontario Power Authority, and allowing them to do the job and keep the lights on. John Manley and Jake Epp warned about this. They said it would be a disaster. We're tabling with our brief an Appendix B, which lists 15 occasions when attempts at government micromanagement and political interference cost billions of dollars. I'd ask you to read that.

As we table our brief, I would like to conclude by emphasizing one point from page 9: We are convinced that the energy supply shortages facing us in the future will be significantly worse than those we faced in the 1970s. Serious stuff. We believe that only the jurisdictions that are blessed with abundant local primary energy, or, failing this, that have invested heavily in nuclear power will survive with their economies intact. This is a hard fact imposed upon us by a tough economic world, and regardless of our politics, no amount of wishful thinking, rhetoric or good intentions will change that fact.

The Chair: We have about one minute left. On this rotation we have the Tory caucus first.

Mr Arnott: Thank you very much, gentlemen. You've offered a rather scathing indictment of govern-

ments of all stripes over the last 20 years or so. I assume you would agree with Adam Beck's statement that you can't trust the politicians to run the electricity system in the province of Ontario.

Mr Bartholomew: Hallelujah.

Mr Arnott: I'm 41 years old. It goes back longer than that, I gather.

We were all concerned about the debt load that the old Ontario Hydro was carrying. You talked about how interference by government made the debt worse, and you pointed particularly to the Darlington project. Could you tell us a little bit more about what was done and why that created problems for Ontario Hydro?

Mr Anderson: It did make it worse, certainly, but this idea of the debt being crushing is an optics thing, and the whole idea of stranded debt was a way of trying to get these in a way that it was easy to sell off to the private sector. We don't believe the debt was crushing. You might as well talk about a private sector company having out-of-control equity. Debt is how we finance things, and it happens to be cheaper than equity.

Mr Arnott: What about Darlington?

Mr Bartholomew: The Darlington issue is one of the 15 examples given in Appendix B, which we are tabling with you. We have also written a paper analyzing the cost variances on Darlington, and we can leave a copy of that from which you can make additional copies, if that would be helpful.

Mr Anderson: But billions of dollars of that overrun was due to government starting and stopping.

Mr Arnott: I want to express my appreciation to you for coming forward in this way. Obviously you have a great deal of expertise and experience that are going to be very beneficial to this committee and to the Ministry of Energy, I would hope, going forward.

The Chair: Gentlemen, thanks very much for your input this morning.

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ENERGY ADVANTAGE INC

The Chair: Next I would ask that Energy Advantage Inc come forward.

Mr William Houston: Good morning, Mr Chairman. My name is Houston, and with me is Mr Ferguson from the company. We'll be dividing the presentation.

First of all, just by way of an introductory remark, we have passed out copies of our brief. Secondly, our brief is relatively narrowly focused. We support the general intent of Bill 100 and many of the initiatives taken. We believe there are a couple of particular concerns with respect to liquidity in the market and the role of the Ontario Power Authority that we believe need consideration.

Mr Glen Ferguson: My name is Glen Ferguson, VP of operations at Energy Advantage. Thank you very much for giving Energy Advantage the opportunity to address this committee.

If I may, I would suggest that this committee and the government have a very daunting task ahead of them. We

believe that trying to design a hybrid-type market is going to be very difficult. We hope, in that design, that some of our issues here are taken into consideration. We'll elaborate on this as we go through.

By way of introduction, Energy Advantage is Canada's leading independent provider of energy and environmental management services. We provide these services to large commercial, industrial and institutional energy end-users located right across Canada. Our company is based in Burlington, Ontario. We're a private organization, with about 50 employees involved in this activity. We also have an office in Calgary, Alberta. Our services include energy commodity management, energy efficiency services and emissions management.

Energy Advantage's Ontario clients include many of the top retail and grocery stores, a large number of commercial building owners and managers, mid-sized industrials and several large institutions. The aggregated Ontario electricity demand is currently about 1,000 megawatts, which is I believe about 4% to 5% of the total demand in the province. I would also mention that we have several clients in the Alberta market, which was deregulated prior to Ontario. We also manage their purchases.

We regularly represent the interests of these clients in our public forums, workshops and advisory groups—over the past year, for example, two initiatives: the Independent Electricity Market Operator's demand-response workshop and the OEB's consultation on demand-side management. These initiatives contemplate incentives to stimulate consumers' response to commodity prices and energy efficiency opportunities. I might add here that prior to the market being reregulated, as we say, we had seen a lot of interest from our clients in energy efficiency initiatives. A lot of those were put on hold, pending what happened to the pricing.

We have observed that mid- to large-sized commercial and mid-sized industrial end-users have not been appropriately recognized as a group. At least, in the past they haven't. Indeed, large industrials have a very good market group called AMPCO; I think you're all aware of that. Residential consumers can vote, so they're usually represented by the government. We hope that the government would also take into consideration our clientele, which sometimes gets overlooked, and that's the large commercial and smaller industrial sector.

Consequently, we believe it's desirable to inform all stakeholders that there's a whole class of consumers who are neither fixed-rate residential nor hourly-rate large industrial consumers. These underrecognized customers have their own unique operating characteristics and are exposed to the hourly electricity market. Furthermore, when all their sites are aggregated, many of them are very large. They eclipse the demand of a number of large industrials. They have a lot of locations, a lot of facilities. In aggregate, they consume a lot of electricity. We are pleased to have the opportunity to bring their perspective to the committee.

Energy Advantage supports several submissions that we've seen and that have been received by the com-

mittee, including those of the Ontario Energy Association and the Toronto Board of Trade. We believe that they are on common ground in saying that a comprehensive policy designed to minimize electricity costs and avoid the recreation of the high—although largely hidden from the public—electricity costs associated with the old Ontario Hydro must include a substantial element of privately owned generation to ensure effective competition.

We'd strongly disagree with other submissions—some we've heard today—that are based on fond reminiscences of the glory days of Ontario Hydro in the early part of the 20th century. They ignore the reality of the creation of a massive and burdensome debt over the last 30 years—the previous presenters thought that to be mischaracterized, perhaps; I think \$38 billion is a big number—and the future decommissioning costs associated with Ontario's nuclear units. The reality was that, without any profit incentive to create value for the people of Ontario, power at cost at Ontario Hydro had become power at hidden cost.

Through interaction with our clients, it is our observation that variable prices and the ability to measure and pay for use by time of day are market characteristics that have been readily understood by large and medium-sized customers. Such end-users accept the concept of higher prices in times of greater demand and short supply, and many are actively seeking ways in which to respond to such price signals by, first and foremost, using energy more efficiently, shifting consumption to higher periods to lower their demand charge and hedging costs through financial instruments. Several of our customers expect to participate in the recently announced demand reduction and demand-side management RFP programs.

Mr Houston: Mr Chairman, I'll complete the balance of the submission.

Energy Advantage does not wish to take the committee's time restating many of the arguments originally made in the Macdonald Commission report, which have been ably updated and restated here in other submissions. We would note, however, that several of the central planning oriented submissions to this committee systematically ignore the Macdonald report and its well-researched and clearly empirical conclusions, focusing on the \$38 billion of debt.

Instead, we wish to focus on one critical area which may not have received adequate emphasis previously. Based on our practical experience in the Ontario and Alberta electricity markets since their respective market openings, it is our view that for the market to work and pricing to be competitive, the market must be characterized by adequate liquidity; that is, a sufficient number of buyers and sellers.

Adequate liquidity also requires that a sufficient portion of the total electricity commodity cost to medium- and larger-sized users reflects real-time market pricing conditions. Transparent price signals that properly encourage conservation and are not administratively obscured are also essential, of course, if Ontario is to be successful in shaving its severe summer and winter

demand spikes, which require either costly excess capacity or very expensive imported electricity.

Energy Advantage believes that the ideal solution would be a fully deregulated market and that Ontario should avoid the hybrid market regulation that characterized California's failed attempt at electricity deregulation. When energy deregulation has been given the opportunity to work—for instance, in Pennsylvania, New Jersey, Maryland, New York, Texas, many other states and the United Kingdom, and with natural gas throughout North America, including Ontario—it has produced optimal results for the consumer.

If, however, a hybrid market format is to be established, Energy Advantage recommends that at least 60% of the end-user electricity commodity price should be based upon the hourly market. This proportion would adequately encourage reasonably broad market participation by a large enough number of buyers and sellers to provide market liquidity and, therefore, an effective level of competition. Energy Advantage was therefore encouraged to learn that the draft regulation to the act names only the Beck, DeCew, Saunders, Pickering and Darlington generating stations as price-regulated heritage facilities at present.

Energy Advantage also encourages the government to go further and address the concern raised by a number of potential participants on the supply side of the market; that is, that Ontario Power Generation's sheer size relative to the market discourages participation by other parties and therefore inhibits market liquidity.

In terms of Bill 100, Energy Advantage would recommend that the objects of the Ontario Power Authority in subsection 25.2(1) be amended to include the promotion of market liquidity and competition, and that OPA be directed, when contracting, to be mindful of these objectives.

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While Energy Advantage understands the self-interest of new-generation facility builders in having long-term, guaranteed and escalating price contracts, such contracts would be inimical to market liquidity and therefore damaging to competition. Contracts of this nature are a rarity in truly competitive markets. This was quickly recognized by the Ontario Energy Board at the establishment of the successful deregulated natural gas market in Ontario.

Ontario should also be very cautious to avoid setting up the OPA as an imitator of the California state long-term electricity purchasing agency, which has caused, and will continue to cause, significant long-term harm to California consumers by entering into very long-term and overpriced contracts.

We conclude by asserting that the government entering into long-term contracts is not a viable substitution for a fully functioning competitive market. The last time this was done in Ontario, power was purchased at prices that were significantly higher than the market. We are referring, of course, to the NUG contracts, which will continue to be a financial burden on the residents of Ontario for years, even decades, to come.

Thank you for the opportunity. I would be pleased to answer any questions.

The Chair: We have about three minutes on this rotation. The NDP caucus would be first, but they're not present. We'll go to the government side.

Mr Khalil Ramal (London-Fanshawe): Thank you for your presentation. I was listening carefully about your opposing the government and asking the government to price hydro on an hourly basis. I don't understand it. Can you explain to us how that works?

Mr Houston: The gentleman from the IMO who was here earlier could have answered this more effectively, but the IMO publishes prices on a five-minute basis, based upon bids that come into the market, reflecting the fact that it costs more to produce electricity when certain higher-cost generation facilities come on stream to meet the peak demands of a given day or the actual summer peak and winter peak demands. They then publish a blended hourly price. So that price that the IMO publishes is generally referred to as the hourly Ontario energy price, even though it's actually determined on the basis of five-minute price bids.

Mr Ramal: Do you think it's unfair to the residents of Ontario to have different prices every hour, instead of having a set rate for six or seven months or one year? At least when you plan for a business or a factory, they know exactly how much they're paying for hydro, and they add it to the cost.

Mr Houston: Companies that are larger businesses can budget by entering into swap agreements that fix the price of their electricity. But for an electricity system to be responsive and to act in the best interests of consumers with respect to conservation, you have to be able to have the real price of producing the electricity available for people to know. Larger consumers buy their electricity with interval meters, which the Premier is proposing extending to many other users. With the extension of interval meters, more Ontario consumers will be able to see the real cost of electricity and, when it gets very high, both in their own interest and the public interest, will be able to cut the use. In order for that market to work, our paper is submitting, you need to have a sufficient amount of liquidity in the market, a number of buyers and sellers, in order that the price isn't an administered price but is a real price.

Mr Ramal: Do you think your approach would be unfair for the small consumer, who has no ability to enter into that agreement as would a big company? As a government, we're supposed to be supporting and protecting the small consumer.

Mr Houston: Our focus and our policy recommendation here is on large and medium-sized consumers. We don't pretend to be experts on the residential market, although to the extent that people can get price signals through interval meters, they then will have the ability to affect and help conservation. But we recognize the desire of residential consumers not to have any great variation in their electricity price.

The Chair: You have about 20 seconds, Ms Cansfield.

Mrs Cansfield: I just wanted to clear up the issue around the hybrid model. The regulated price will be for low volume, 250,000 kilowatts and under. Obviously, your customers are above that and they will deal with the spot market. So I don't understand why you wish to have a totally deregulated—when we have a commitment to the protection of the designated and low volume. Now, they can opt in or out of that program as they choose but, in essence, you're still on the spot market. Are you advocating a day-ahead market or—

Mr Houston: Certainly we would advocate a day-ahead market, but what I've seen so far is that we're talking about a percentage of the generation being regulated as opposed to which markets would be regulated. I think there's a big distinction there of who qualifies for a deregulated, hourly-type price. If I'm mistaken in that—we've seen numbers as high as, say, 70% of the market becoming regulated on the generation side.

Mrs Cansfield: I think maybe we would have an opportunity to chat with you afterwards, because there isn't the time—

Mr Houston: Yes, I'd appreciate that. We haven't had the advantage of seeing this draft regulation.

Mrs Cansfield: I'll give you a copy right now.

Mr Houston: Thank you.

The Chair: Mr Arnott, we'll squeeze in a quick question for you.

Mr Arnott: Thank you very much for your presentation and for your advice. Your concluding comment says that we will be paying for the NUG contracts for many years to come, yet in the provincial budget recently tabled, in the budget papers, the government has essentially written off that liability in one fell swoop, about \$4 billion, under what they call "Other Non-Tax Revenue: Net Reduction of Power Purchase Contract Liability," through a rather dubious accounting trick, really. Do you care to comment on that? Obviously, you're suggesting that we're going to be paying for this for a long time.

Mr Houston: We wouldn't agree that it's a dubious accounting trick. I understand the government has, in effect, capitalized the cost of the NUG contracts and—

Mr Arnott: What would you call it then? It's a contradiction from—

Mr Houston: Capitalizing a liability is often done in business, and I guess it's done sometimes in government.

Mr Arnott: It has the effect of overstating their revenue this year in a way that I characterize as rather dubious.

The Chair: Gentlemen, thanks very much for your presentation today.

ONTARIO SOCIETY OF PROFESSIONAL ENGINEERS

The Chair: Next I'd like to call forward the Ontario Society of Professional Engineers, Ms Glover and Mr Cragg. Good morning and welcome to our committee.

Ms Sharon Glover: Good morning, Mr Chairman.

The Chair: Ms Glover, you're leading off then?

Ms Glover: Yes, sir. I'm going to introduce Chris in just a moment.

On behalf of the Ontario Society of Professional Engineers, I'd like to thank the committee for allowing us to be here to today and to present our thoughts on Bill 100, the Electricity Restructuring Act. My name is Sharon Glover. I'm the CEO of the Ontario Society of Professional Engineers. With me is Chris Cragg. Chris is vice-chair of the society and also the chair of our energy working group. I'm going to start by talking briefly to you about the society, and then I'll turn it over to Chris, who will present the bulk of our submission.

The society is a member-driven advocacy organization. We were created in the year 2000 to act as the voice of professional engineers in Ontario. We have over 12,000 members and numerous policy committees and task forces, which assist us in contributing to the policy debate.

I'm going to turn it over to Chris Cragg, who will present our submission now.

Mr Chris Cragg: Thank you, Sharon. The OSPE energy working group is made up of engineers representing various disciplines within the energy sector. We're proud to say that the professional engineers on our committee have engineering expertise from fields of hydro-electric generation, nuclear energy, gas turbine (cogen), grid-connected renewable energy, plus the environmental sciences.

First, let me say that OSPE is pleased to see that conservation and renewable energy are being viewed as a priority by this government. OSPE believes that conservation and sustainable generation are of equal importance to the economy and to the quality of life in Ontario. It is not enough to solely focus on conventional generation for the future. Only through a combination of both demand-side management and increased generation capacity will Ontario's electricity system remain reliable.

At the time the Electricity Conservation and Supply Task Force released their report, the society indicated our support for the need for a central electricity system planning and implementation authority; the need for pricing at rates that are stable and reflect electricity's true cost; and promoting and evaluating conservation on an equal footing with new supply. We believe that legislative and regulatory changes must be made now to create a stable environment for investment. By moving forward on such things as pricing that better reflects the true cost of power, the government will provide an environment for investment and ensure private sector capital is available for our system going forward. True cost pricing will also restore the financial health of the public power provider—Ontario Power Generation—so it can better engage in rehabilitation, redevelopment and new development on its existing sites.

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Existing sites with their previous permits and ties to the transmission grid potentially offer the quickest way to address the current supply shortage, prepare for reduced

usage of coal generation and prepare for the massive nuclear generation overhaul projected to start in 2009, as described in the Electricity Conservation and Supply Task Force report. By further using our existing infrastructure, as has been done at Brighton Beach, as is projected to be done at the Beck Tunnel and as has been done by recent restarts at Pickering and Bruce, we significantly reduce the amount of time it takes to bring generation on-line—something that we really need to do because of the current and looming supply shortage.

The problems Bill 100 is meant to address are not political ones; they are social and economic. People need to know that the lights will come on when they flip the switch. Businesses need to be able to operate without fear of interruption and in a stable environment.

In our assessment of the Electricity Restructuring Act we agree with the assignment of forecasting responsibilities; with the creation of the Ontario Power Authority; with the need to price electricity at rates that are predictable and reflect the true cost; with establishing a conservation bureau; and with establishing expert advisory committees.

We'd like to address the areas of the Independent Electricity System Operator, Ontario Power Authority and the conservation bureau, where changes are needed to make these bodies more effective in accomplishing their goals.

OSPE is pleased to see that the Independent Electricity System Operator will be playing an important role in stabilizing the electricity sector in Ontario. The price of electricity needs to be addressed. For too long, consumers have been operating under a false sense of security with rate caps. The true cost of electricity was not being paid, and as a result people started to take for granted that cheap electricity would always be available.

The rate caps of the last decade have had two major negative impacts. First, they have resulted in people being unaware of the need to conserve; and second, they have resulted in a lack of investment in generation since fixing the price severely limits the ability of generators to reinvest in further generation development. We recognize that paying the true cost of electricity is not the politically popular thing to do, but it is necessary.

The advisory committee called for in the legislation is also a good idea. By establishing a panel of experts to advise the minister and the IESO, the bill provides another tool that allows for well-informed decisions to be made.

We believe the bill could go one step further. While establishing the committee is an excellent first step, we believe the proposed law could be more specific and not only set out the formation of the committee but also its composition. We would suggest that the advisory committee be composed of experts in the following fields: nuclear generation, fossil fuel generation, hydroelectric generation, renewable energy, energy conservation, and transmission planning and control. This advisory panel must be made of experts who have no vested interest outside of helping to develop the most reliable and cost-

effective system possible. The importance of this impartiality cannot be overemphasized.

To ensure that the advisory committee is composed of technically competent people who will act in the public interest, we suggest that professional engineers, licensed in Ontario and accountable to the public through their regulating legislation, be mandatory participants. This would provide for equal representation of the various sectors within the energy field and ensure that the IESO and the minister are receiving well-founded information based on a broad range of inputs and ideas.

An additional concern is with the way in which the IESO board and advisory committee are appointed. We understand the need for the minister to appoint the inaugural directors, but there is no mention in the legislation as to how future directors' positions will be filled once terms have expired or unexpected departures take place. In an effort to be transparent and provide stability, we suggest using either the existing public appointments process to fill future vacancies or the creation of a new process that will weigh expertise and qualification and will not be influenced by future political agendas.

Lack of planning for the future is one of the causal factors of the problems that we face today. Long- and medium-term planning is essential to the electricity system in Ontario. Only through assessing what we have and what we will need can it be decided how best to move forward. Establishing the Ontario Power Authority certainly helps to address this problem.

There was a time in this province when long-term planning was conducted and new generation was scheduled to come on-line in an orderly fashion to meet the need. We have moved away from this in recent years, and there have been a number of long-term forecasts indicating that Ontario's supply is inadequate to meet future demand. Current initiatives have, so far, not closed this gap.

While the private sector has much to offer, we cannot expect them to carry the burden alone. Forecasting usage and long-term demand can only be half the answer. Once the need has been identified, immediate steps must be taken to make sure the need is addressed and not just discussed. There is a long lead time for new supply. In the case of nuclear power, it normally takes 10 to 12 years before electricity is actually coming into the grid.

While we can say that the Ontario Hydro model of doing business had a number of problems, we should not overlook the areas in which it was successful. Under the Power Corporation Act, 1990, long-term planning was considered in the mandate of what was then Ontario Hydro. Under the act, Ontario Hydro was given the ability to plan with regard to the generation system and also to work with the municipalities. The same type of aggressive planning regime must once again be instituted in Ontario if we are to tackle the many problems this bill is meant to address.

Establishing an advisory committee through legislation for the OPA will certainly help gather expert advice and ensure that realistic, timely forecasts are available to those who need to make decisions.

Again, as with the IESO, we believe the bill should go one step further and not only set out the formation of the committee but also its composition. We would suggest that the advisory committee be composed of experts, including professional engineers, in the fields of nuclear generation, fossil fuel generation, hydroelectric generation, renewable energy, energy conservation, and system planning. This would provide for equal representation of the various sectors within the energy field and ensure that the OPA and the minister were receiving well-founded information based on a broad range of input and ideas.

The conservation bureau is long overdue. While there has been much discussion about our consumption levels and the rate at which new generation can be brought on-line, little has been done to address the issue of conservation. While encouraging use of energy-efficient light bulbs and appliances certainly helped raise awareness of the issue in the past, we are now in a situation where the PST rebate has been discontinued and no comprehensive conservation strategy exists.

While we look to the Electricity Restructuring Act, it only provides for the creation of the Conservation Bureau. There are no tools specifically mentioned that will help in addressing conservation. There are no mentions of economic incentives and no reduction targets set out. A portion of all electricity revenue should be directed to support this bureau. Increasing environmental pressures and a lack of short-term clean energy options for Ontario will make conservation a key element of Ontario's electricity sector.

Again, we look back to the Power Corporation Act and see that this was once part of the business of Ontario Hydro. The act indicated that conservation of all forms of energy was to be encouraged. Specifically, section 64 of the act listed the safe use of electricity, the improvement of buildings to retain heat, more efficient use of electricity and the shifting of electrical loads from times of high demand to times of low demand as key principles of the program. There was also provision for loan programs wherein Ontario Hydro could lend money and provide incentives for conservation measures. These steps seem fundamental. If they could be incorporated into legislation in 1990, why could these principles not again be adopted into law today?

While the Electricity Restructuring Act, 2004, creates a conservation bureau, there is no mention of guiding principles and no possible incentives in the legislation. These should be added to offer the conservation bureau a sense of direction as well as the tools necessary to fulfill its mandate. Setting a conservation target means little if the tools necessary to attain that target are not present.

In conclusion, the Ontario Society of Professional Engineers is pleased to see the government is making an effort to address the significant problems facing Ontario's electricity sector. The problems that need to be addressed are deeply rooted in the lack of planning and lack of focus on conservation that has dominated the agenda for the last decade. Critical to that planning process is the use of professional engineers qualified in

this field of practice. It does not make sense to believe that a highly technical field such as electricity generation, distribution and control can be achieved without substantial use of individuals highly trained in this technology.

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The Electricity Restructuring Act does make progress in addressing the issues that have led to a system that is short on supply and long on demand. While many of the issues surrounding supply and conservation are addressed, the bill should do more. Bill 100 represents an opportunity to do it right the first time and not have to revisit the issue over and over again.

Investment in Ontario's electricity system will be essential to ensuring its long-term stability and sustainability. Investment will only come when stability and higher revenues are brought to the market. Stability not only includes realistic pricing but also the way in which the system is managed. By including as much in the legislation as possible and, in turn, limiting regulatory powers, you will be creating a stable environment in which to invest, where legislation sets out the roles and responsibilities of market participants.

We congratulate the government on introducing this bill and urge the committee to consider our changes seriously.

The Chair: You're right on 15 minutes. Unfortunately, there's no time for questions, but we want to thank you for your presentation this morning.

Mr Cragg: Thank you very much for the opportunity.

BOWATER CANADIAN FOREST PRODUCTS INC

The Chair: I now ask Bowater Canadian Forest Products Inc to come forward. Welcome, Mr Campbell.

Mr Don Campbell: Thank you very much.

The Chair: You may proceed.

Mr Campbell: Good morning, and thank you, Mr Chairman, for the opportunity to speak to your committee on behalf of Bowater Canadian Forest Products Inc, a wholly owned subsidiary of Bowater Inc, to provide input to the implementation process of Bill 100. I must say that it is not often that Bowater gets involved directly in the process at this level. That's just the way it is. However, it is not often that a single piece of legislation passed in the Ontario Legislature has the potential to profoundly affect our company's viability in Ontario.

I intend to give you an overview of Bowater's presence in Ontario; specifically, northwestern Ontario. I will cover the unique importance of electricity to Bowater's business. I will describe the specific challenges we face in Ontario with electricity, challenges that have been building over a number of years, not just in the last few years. Finally, I will make some general recommendations to the committee on what we would like you as a committee to pay close attention to as Bill 100 progresses.

I have provided a handout for the committee. In that handout, there is a photograph of our site. This picture gives you a perspective of the size of our pulp and paper operations in Thunder Bay. The site is located virtually in the heart of the largest community in northwestern Ontario. This site provides challenges to operate effectively and with the support of the community residents, and we have succeeded since 1929.

The assets and operation of Bowater in Thunder Bay and the surrounding northwestern Ontario region are a significant economic force in northwestern Ontario. Our pulp and paper complex located in Thunder Bay is the largest in Canada. It produces 1.1 million tonnes of product, both market pulp and paper products, primarily to the North American market. This is a very valuable asset, with over C\$1 billion invested in the last 15 years in both technology and environmental improvements. This operation is clearly world-class.

Two pulp mills produce both hardwood and softwood kraft market pulp for both paper and consumer products such as tissue and paper towels. Three paper machines manufacture both newsprint and base sheet for our coating operations. I must say, however, that one of our paper machines has been shut down for over a year now for economic reasons, not the least of which is the cost of electricity.

New sawmills in Thunder Bay and Ignace, Ontario—a community just west of Thunder Bay—built in a business relationship with the Fort William First Nation, are world-class.

We employ, either directly or through our forest contractors, over 1,700 full-time employees, and this does not include the indirect spinoff jobs or the silviculture contractors who help us to manage our land base.

We are a major private sector employer in the region, providing, both directly and indirectly, significant tax revenue, both on the municipal side and on the provincial side. With investment in the north and our ongoing involvement, we remain an important player in the success of northwestern Ontario.

Now to the challenge that Bowater faces with respect to electricity. First of all, in fairness, I'd like to clarify that electricity is not the only business challenge we are facing in our industry in Thunder Bay. Obviously, you've heard a lot about the wood supply becoming increasingly constrained. Costs to deliver chips have risen dramatically. We've struggled in markets; the US exchange rates, with the recent run-up, have really hurt us. We sell in American dollars. As the American dollar goes, so goes our business.

However, the focus of this discussion is electricity. Our mill is a direct purchaser of electricity from the Ontario market. Our rates remain independently benchmarked as the highest in the North American paper industry. In addition, when compared to our sister mills in the US south, US west and in Canada, we remain the highest by a wide margin. There are those who would say that in the manufacturing base in Ontario industry in general, electricity does not make up a large proportion

of the cost component of the product. At Bowater, this is not the case. At the present time, electricity makes up between 20% and 25% of the total cash costs of our paper products. This ratio is obviously dependent on the other inputs, but it is in that kind of range. The rates have been escalating for years, not just since deregulation, and have risen approximately 25% in the last four years alone.

This increase has been felt despite aggressive action at the mill to mitigate the effect, including maximizing the internally generated electricity that we make on-site from waste products, aggressive shifting of our load to off-peak periods and taking business risks on both our product quality and electricity supply to offset costs. We have been clearly recognized as one of the most sophisticated users of electricity in the province operating directly off the energy market, and it's not enough. As a commodity producer where costs cannot simply be passed on to the consumer, this does not bode well for the future competitiveness of our operations or, probably more importantly, the fierce competition for internal capital investment that will secure the future success of our operation.

I have added a chart in the handout that describes an independent survey of electricity rates for our product, not for regions within the North American markets but for our product and our direct competitors. It's an unbiased survey based on actual experience. As you can see, the Thunder Bay mill is at the very end of the scale. The small arrows in that graph, for those of you who have it, indicate other mills within the Bowater parent company. For a commodity high-energy business, this is disturbing.

There have been recent consequences to the Bowater operation. Escalating electricity costs, in part, have resulted in direct consequences to both the operation—the business—and its employees. Our number 3 paper machine has been curtailed since June 2003. This machine alone produces 25% of our total paper production, and the asset, as an asset, is above average in terms of quality in the industry. The indefinite shutdown of the supporting groundwood pulp mill was announced last week. These curtailments are affecting the employment of a large number of our employees.

Now to a few recommendations to the committee. There are a few realities we accept in the present electricity market. There is the need for temporary market intervention to bring more stability to a previously price-volatile marketplace, to attract new supply and to ensure adequate long-term system planning for our future. I know Bill 100 is intended to deal appropriately with all of these issues, but if, in order to accomplish this, electricity pricing continues to rise, our viability in Ontario will be further compromised.

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You have received in the past, from previous deputations, implications that the future market cost could increase by up to 50% or more. I'm not endorsing or saying anything to that; I know you've received those.

Bowater urges you to ensure that common sense prevails to ensure that this does not happen, or the long-term socio-economic impacts to northwestern Ontario due to the effects on industries such as ours will be grave.

Bill 100's implementation clearly has the potential to increase costs unnecessarily in a number of key areas. These include the market power mitigation agreement phase-out and the pricing and allocation of the heritage power base which, my assumption is, that's intended to offset. This includes the replacement—and timeline, probably more importantly—for the coal-fired generation and the cost of the energy to replace it. This includes the management of costs associated with the nuclear asset renewal program and, finally, the costs and effectiveness of renewable energy and conservation programs.

We are already uncompetitive with our peers in the products we manufacture with respect to electricity. Please ensure that adequate time is provided in order to adapt to any future changes required to the marketplace. I recommend that you take a prudent approach and preserve your ability to adjust for the unknowns. There are all sorts of unknowns coming forward in this new world of energy in Ontario, and I just ask that you continuously consider your ability to adjust. Finally, I ask that you fully consider the unique economic realities being faced by companies such as, but not exclusively, Bowater in northwestern Ontario and the impacts that further cost increases will have on our company and the northwestern Ontario region. Thank you very much.

The Chair: Thank you very much, Mr Campbell. We have about three minutes for questions. On this rotation, we'll have Mr Arnott first, then Mr Kormos and then the government.

Mr Arnott: Thank you for your presentation. Your comments supplement and follow up on the Association of Major Power Consumers presentation of last week and give specific reference to your industry, your sector. Certainly the pulp and paper industry in northern Ontario is an absolute bedrock, core industry that we have to support. We have to work with you to make sure that your continued viability is present for our economy and for the workers in the north. For those reasons, your presentation is very important.

You've again pointed out that the cumulative effect of a number of the government's policy changes may result in an electricity price increase of in excess of 50%. Do you think the government's listening?

Mr Campbell: I hope so. I think there has been a large amount of input into this process, and there will be a large amount more. I am not, as Bowater, endorsing that number. I know what the deputations have been. I do know, and I think intuitively we all know, that if we replace lower-cost energy with higher-cost energy, the cost will go up.

Mr Arnott: And government policy should be modified to make sure that doesn't happen.

Mr Campbell: Yes. I believe and Bowater believes that the government will—the hope is—stay focused on the impacts, not only directly into the electricity market

but the impacts to industry and communities, especially in northern and northwestern Ontario.

Mr Arnott: Thank you.

The Chair: Mr Kormos, please.

Mr Peter Kormos (Niagara Centre): No, thank you.

The Chair: For one minute, Ms Cansfield, please.

Mrs Cansfield: I wondered if you could give us some idea of how things are proceeding with the cogeneration you've been looking at up at Bowater.

Mr Campbell: We're in the queue for all three of the proposals: the DR, the DSM and the one you're referring to. We're in the final stages of the analysis of that. There's nothing more to say, other than—

Mrs Cansfield: Maybe you could just explain to the committee the whole concept of cogeneration for Bowater and how it would impact you.

Mr Campbell: Bowater, at the present time on the Thunder Bay site, generates about 60 megawatts of its 150-megawatt demand through residual steam from by-products, either black liquor or hog fuel—bark, waste material, sludge and the like. We're looking at opportunities to maximize that through capital investment to get a little bit more out of the mill, primarily to reduce costs and to offset natural gas consumption.

Mrs Cansfield: Thank you very much.

The Chair: Thank you very much, Mr Campbell.

ONTARIO FEDERATION OF LABOUR

The Chair: I'd next like to call on Mr Wayne Samuelson, president of the Ontario Federation of Labour. Welcome, sir.

Mr Wayne Samuelson: Thank you. It's great to be here. Let me begin by assuring you that while we prepared an outline of our views, after listening to the last presentation I think I'm just going to allow you to read that at your leisure. I know each of you will.

Instead, I want to talk a little bit about what the last presenter talked about and what you've heard over the last while. I should say it's a little bit peculiar for me to come here and say that I agree with many of the positions of the major users of electricity in this province, because often we're on the other side of the table on a whole range of issues. But I think they have raised for you an issue that you need to pay a lot of attention to. You've heard from the Association of Major Power Consumers in Ontario that they're looking at rates going up from 30% to 53%. They've told you that this could have an impact and result in the loss of 140,000 jobs.

Let me give you the other side of that equation, the side that we see at the bargaining table. The previous government made what can only be described as the bizarre policies to move away from literally decades of public power. We see more and more of our employers raising the issues with us about the cost of electricity and the impact it has on our collective agreements and our workers and, frankly, on the viability of operations. You've heard that yourself. So I'm here today to tell you that if you continue down this road you'll hear more of

what you're hearing, and I predict you will see more of what employers are telling us at the bargaining table about electricity.

I want to suggest to you that you need to start over. You need to look at what's worked in this province for literally decades and decades: public control of power, cutting out all of those people who want to put money in their pockets on a service that is so important, not only to our industries and our communities, but to people. Not a lot of people pay much attention any more to what the Liberals said in the election and what they're doing, but I've got to tell you I really thought that when the Liberals were elected Dalton McGuinty was going to follow through on his commitment to ensure that the private electricity market was dead.

I think this government needs to look at what you said. You need to look at what's gone on over the destructive policies of the previous government and move back to what has been a successful partnership between the people of Ontario and the government to provide for public power. I know you've had experts from all over come here. I know you've looked at what's happened in California. There is mounting evidence that this is the wrong direction.

I'm going to close my comments by saying that the decisions this government makes over the next few months will have an impact on generations to come. All I can ask you to do is not turn over the security of my members' jobs to the Enrons of the world so that they can make a few bucks and we can see all of those jobs move outside of this country.

The Chair: Thank you very much, Mr Samuelson.

Mr Kormos, you're first on this rotation.

Mr Kormos: Yes, it is remarkable, because your comments are so consistent with the comments made by the presenter on behalf of Bowater. The only inference to be drawn from his comments is that if this government proceeds with its plans, which admittedly are going to result in increases in electricity prices, then we're going to see significant job losses—end of story—and jobs that can't be recovered later.

I'm interested in page 3 of your submission, where you talk about the impact of privatization, the North American free trade agreement and GATS. Can you explain that a little bit? What does it do to our future and our capacity to entertain any sense of control over electricity?

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Mr Samuelson: It moves the control away from the people of Ontario to corporate interests and, frankly, quite likely American corporate interests. It makes absolutely no sense. I've got to tell you that even an unbiased commentator who looks at this would say, "Why would we move to shift that control to people outside of our country, especially when you look back over the last 100 years?" It makes no sense.

If the government doesn't recognize this, they clearly have their eyes closed. It's been raised by experts. It's a direction that they appear to be heading in, Peter.

Mr Kormos: What will it mean, for instance, to a generation or two generations down the road?

Mr Samuelson: It's gone and you can't get it back. That's the impact. It means control over our electricity by people outside of this country—control over whether in fact manufacturing jobs are able to compete in Canada and what it will cost them to keep their lights on. I think it could lead to shortages. That's what the experts have said. It certainly has happened in other places.

Mr Kormos: The participant who preceded you was speaking on behalf of the paper industry, or at least his participation in the paper industry. Down where I come from in Niagara, and Mr Craiton as well—mind you, there is no industry left in Niagara Falls. That all fled over the course of the last decade, decade and a half. But across the rest of Niagara region we've got one remaining paper mill. Primarily, the employers are high electricity consumers, be it steel mills, forges, foundries, whether it's in Niagara, whether it's up in Algoma in Sault Ste Marie or whether it's in Hamilton. Lord knows, we've got a federal government that has refused to implement a steel policy that protects Canadian steel-makers from foreign-dumped steel. How many job losses do you anticipate are in store if this government persists on a policy that's going to increase electricity costs?

Mr Samuelson: The major power users talk about 140,000 jobs. I don't know what the exact number is, but I do know this: It's not only the jobs that people lose; it's the downward pressure on their wages and benefits that results from these plants competing internally with sister plants in the United States.

The previous speaker talked about Thunder Bay. Let me tell you, I've spent a lot of time in the last two years in northern communities that are dependent on these resource-based industries. If you think it's devastating to lose that industry in Thorold, think what it means in places like Sturgeon Bay, where the whole community was dependent on one plant, and what it means in many of those northern and northwestern communities.

While that's a long way from downtown Toronto, let me tell you, when I travel there to meet with my members, there is apprehension; there is fear. I think this has all been fostered by the policies of the previous government and, frankly, the buying into those policies of the present government.

Mr Kormos: You're talking about this government, then, creating an economic environment that's more similar to Arkansas than the Ontario that you and I grew up in?

Mr Samuelson: Let me tell you, this isn't the only one of the policies, Peter—

Interjection.

Mr Samuelson: Well, you have given me an opening to talk about other policies that make us similar to Arkansas. I can simply say that it's unfortunate that the commitments made previous to the election aren't being followed through on, because we could resolve some of those comparisons.

Mr Kormos: Thank you, brother Samuelson.

The Chair: Thank you, Mr Kormos. The government representatives?

Mrs Cansfield: Thank you very much for your presentation. I look forward to reading your submission.

I was curious around the issue with the position on the coal commitment. Are you primarily concerned about your workers in terms of potential job loss with the phasing out, or are you concerned about the issues of health, and then I guess the reconciliation? If you could help me understand, because I believe they own 4% of the Bruce nuclear plant. So where are your concerns resting?

Mr Samuelson: Clearly I have concerns for the people I represent, but I also have concerns on broader political issues.

First of all, if someday you actually get around to closing the coal plants, which I suspect will happen—I don't think it will happen as quickly as you said, because I'm not so sure you can replace those 25,000 megawatts—there needs to be a real look at transition and how you deal with that. I'm not so sure that you should close those until you're absolutely sure you can replace that output, if for no other reason than that it has an impact on the other issues I raised around supply and prices. So that's my view on the coal plants.

I'm not sure exactly where you're going with your question.

Mrs Cansfield: Well, it's 7,500 megawatts of coal that will be phased out, and I didn't know if the issue was primarily the phasing out in terms of how it impacts your workers or if it was an issue that, you know—do you think coal should be phased out? Do you believe that it should sustain itself?

Mr Samuelson: I think in the long term it probably should be, but you need to make sure you actually have supply in place to replace it.

In terms of the environment, the evidence is there; we all know that. But I don't think you need to do it just to do it. I think you need to make sure you have a supply in place. And frankly, as you move away from public control of the market, those decisions are going to be made by other people, rather than you.

Mrs Cansfield: I don't think we're going to do it just to do it. There are health-related issues in the phasing out of the coal. I guess my question to you would be if you would then work with us in that process, because it would be in the best interests of the people of Ontario.

The other question relates to the issue that 4% of Bruce is owned by the Power Workers' Union. You've heard the minister say before—how many times?—that the assets will not be sold that we have here, but that we'll be looking for new investment. So are you suggesting not to encourage that new investment to come into Ontario, which ultimately would result in more jobs?

Mr Samuelson: I think in the long term it would be better that the people of Ontario made investments in their own power system rather than counting on external investors from outside the country.

In respect to this ownership by the Power Workers, you'd have to talk to them about that.

Mrs Cansfield: I was just going to say, your having rejected the sort of privatization of the Tories, it's curious the sorts of juxtapositions that you have back and forth. That's my last—

Mr Samuelson: Kind of like your caucus sometimes, eh?

Mrs Cansfield: I suspect that happens in all caucuses.

My other question is around NAFTA. A number of comments have been made around Bill 100, and I was curious as to how you felt Bill 100 made changes in the relationship to NAFTA.

Mr Samuelson: I think it's a broader issue than simply this bill. As the government moves toward a competitive and open market, whether you do it slowly or you do it a different way than the previous government, we have all kinds of evidence that that results in NAFTA starting to apply, and therefore all those other problems coming into play.

We've been debating the impacts of NAFTA and free trade now for 15 years, and lots of times it's lawyers and academic studies. I've got to tell you, with my history of being involved in these trade issues for a long time, the proof isn't necessarily what happens on a piece of paper. It's when you drive down the 401 and you see complete industries demolished because of free trade deals. I think that's why we need to worry about triggering the response that opens up our market to more investment from external sources outside Canada.

Mrs Cansfield: So you're not a proponent of that?

Mr Samuelson: I'm not a proponent of external investing.

Mrs Cansfield: Of market forces, of opening up the market?

Mr Samuelson: No, I'm not.

The Chair: Thank you very much, Mr Samuelson. It was good to have you here.

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JOSEPH FIERRO

The Chair: I now ask Mr Fierro to come forward. Welcome, sir.

Mr Joseph Fierro: Thank you very much. My name is Joe Fierro, and I have with me today Mike Bilaniuk, who works at the Niagara plant group. He's here to support me in my presentation to this committee on this very important matter.

I want to start off by saying that I'm an OPG employee, but I'm not here today speaking on behalf of OPG. I'm also a director in the Society of Energy Professionals, but I won't be speaking on behalf of that organization today; Andy Muller spoke to you on August 9 and did a fine presentation, which I'm sure you'll consider in your recommendations to improve Bill 100. I'm also legally blind, but I'm not speaking on behalf of people with disabilities today.

I'm here to talk to you today on behalf of hydro-electric professionals and supervisory staff who work at Ontario Power Generation and bring to your attention the

opportunities which exist for hydroelectric generation in the province and OPG's role in those projects.

Slide 2, Bill 100: There are some positive aspects to Bill 100. The focus on demand-supply planning is very good. This has been missing for the last five years and we welcome someone taking on this role, albeit there are still some questions about how it's going to be done and the rules around it. But as a starting point, the initial focus on it is positive.

The focus on renewable energy and conservation is good. We do have some concerns around some of the renewable technologies because generally these are not price-competitive, the ones other than hydroelectric, and the introduction of too many of these too quickly could upset the apple-cart, as many have talked about, in the way of pricing. For example, wind is in excess of \$100 a megawatt and this is likely two to two and a half times what the prices are today, and would therefore be of impact to the Bowaters and the Association of Major Power Consumers people because it would fulfill their view that higher prices would come out.

We are concerned with the ability of the government to direct the OPA and, therefore, reduce its ability to truly be an independent organization and make the best decisions for the province. We also have some concerns around the criteria for selecting a demand or supply option, especially a supply option. If you're about to select a gas plant at \$500 million to run at \$90 a megawatt, at the same time shutting down the fossil plant which operates at \$40 a megawatt, you will be placing a significant burden on the industrial and residential users of Ontario that does not need to be applied by shutting down the fossil plant and replacing it with the gas plant. It can be accomplished by introducing clean-coal technology and having the coal plant operate at \$45 a megawatt.

Why hydroelectric? It's clean. It's renewable. Hydroelectric also has no emissions compared to some of the other technologies, including gas, which cannot escape the fact that it does emit as it burns here and has considerably more emissions 3,000 kilometres away as it's removed from the ground. Gas is not emission-free; hydroelectric is.

Hydroelectric produces 33.5 terawatts currently, in 2003, and this is approximately 25% of the Ontario demand. OPG currently has 240 dams on 26 river systems, and these facilities are maintained and operated properly and effectively in the interests of the public and in the interests of our needs in the province.

The current structure of the Ontario Power Generation hydroelectric assets is in four plant groups. These plant groups are geographically based throughout the province, so we have people close to the plants in the local communities generating the power. This will come into play later when we talk about new opportunities and the best way to build and operate those new opportunities.

Hydroelectric plants in 2003 have had a forced outage rating of 1%. This means that these plants are there when the electricity is required. This means that they're reliable

and they also have a proven technology that is essential in the long term. Hydroelectric also contributes \$310 million in water rental payments and in property tax payments to municipalities.

Finally, under the single development umbrella, Ontario Power Generation was recognized for the outstanding stewardship it has shown in managing its river systems by the National Hydropower Authority. This is not the only award OPG has won, but it has won this award for the last five years consecutively. The first year it won, it was the first time this award had gone outside the United States. So Ontario Power Generation has shown environmental leadership in its hydroelectric resources and this has been acknowledged.

OPG's record of managing hydroelectric projects: Since 1990, Ontario Power Generation, and Ontario Hydro previously, has spent over \$1 billion in managing its hydroelectric projects and enhancing the assets to obtain more electricity from these assets—379 megawatts of additional capacity has been added, with a total annual capacity of 724 gigawatt hours in 2003. This is enough to power 72,500 homes. This was done using existing facilities and just getting more out of them. These projects were done mainly at the Sir Adam Beck II station in Niagara and at the Saunders plant in Cornwall. These projects were done using mainly internal resources and managed well. All these projects were done on cost and on schedule, and effectively to obtain the best results from these potential projects.

Future projects at OPG: Within the next 10 years, Ontario Power Generation is planning additional upgrades of its facilities to obtain more megawatts from the existing plants. An additional 174 megawatts are expected to be obtained from projects at the Abitibi River, Little Long, Harmon and Kipling stations, as well as Sir Adam Beck I. These will generate 486 gigawatt hours of additional annual production, enough to power 50,000 homes. The OPG mandate, which is clearly missing, needs to include a role in getting as many megawatts as it can out of its existing assets.

Why OPG should build and operate these new plants: Water is a public resource and therefore should be managed for the public good. This quote from Mike Brown, on slide 7, really shows what happens when that is not the case. Mike Brown, who is the MPP for Algoma-Manitoulin Island, is talking about what happened when Brascan, or Great Lakes Power, took over the Mississagi River and then ran it differently from the way OPG or Ontario Hydro had run it previously. I know this raised considerable concern from both the Liberals and NDP at the time of this event. The quote from Jim Dilusio clearly says it all: They are not Ontario Power Generation or Ontario Hydro; they operate their assets to make money. Ontario Power Generation, and Ontario Hydro previously, operate their assets to balance the energy needs of the province with the environmental, socioeconomic and recreational users in the province to ensure that everyone, in the end, wins.

There are two additional points that need to be made here. The addition of a new plant where existing OPG

staff are currently nearby would cause little or no incremental staff, as existing staff could take on those new plants to be built with their existing resources. The infrastructure is also there for OPG to build, bid and run these plants, so that is also a cost saving. It would be cheaper to build and operate these new plants by Ontario Power Generation than by a third party. That is clear and has to be remembered when we go forward.

The other issue is the integrated operation of a river system. When you have multiple owners on a river system, you have a more complicated situation because a river system can only flow in one direction. When a plant releases water, the plant below it needs to be able to receive that. So increased communication and more complicated operations are required when you have the situation of introducing new operators on a river system currently run and operated by Ontario Power Generation.

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Slide 8 identifies some major projects. The first bunch of those, including the Niagara tunnel, is in Appendix A in more detail. OPG has done some significant work on all those projects and should be allowed to continue to do work and carry those projects through to operation. All those projects there, except for Sir Adam Beck III, are cheaper than gas or wind. It's important to remember that. When you're trying to minimize the impact on consumers and industrial users, you choose the lowest-cost alternative of the projects. You don't select one just because of some commitment to a gas company.

The projects lower down on the slide, like Little Jackfish, Abitibi River and Moose River basin, are included in Appendix B. This is a list of projects that require additional work but are still potentially viable.

In conclusion, OPG has a good record for managing projects and this has to be recognized. Ontario Power Generation's mandate needs to be clear. It should not only be the keeper of heritage assets but should be taking full advantage of its current fleet of assets and getting every megawatt out of those plants that it can. The introduction of new plants should also be part of OPG's role. They can do this effectively because of existing resources on the ground that can operate these plants and the infrastructure. This will minimize the cost impact to consumers. I think it's important that OPG be given the role and the mandate to further explore the projects in Appendices A and B and carry to completion any of those that are economically viable.

I thank the committee for giving me the opportunity to speak today. If there are any questions, I'd be glad to take them now.

The Chair: Thank you very much, Mr Fierro, for a very thoughtful presentation. We have about four minutes. I'd ask government representatives if they have a question.

Mr Ramal: Thank you for your presentation. I have a question for you. From what I understood from your presentation, you believe that everything has to be within the OPG; in order to create renewable energy, it has to be within that company. I wonder if you know that Ontario

Hydro has a total debt of about \$3 billion. What's your recommendation on how we can come up with the money to expand and have sustainable renewable energy in this province?

Mr Fierro: The basic fact that everyone ignores about that debt is that for 20 years the people of Ontario and the industry in Ontario have benefited from low rates. Low rates have caused the debt to occur. That money did not go into shareholders' pockets; that money did not go into someone's private Swiss bank account. That money went to build these generation assets and fund the operation of those plants. We did not recover enough because we were told what the rate would be. The fact is that we didn't charge enough because we were told not to charge enough. This has caused Ontario to flourish and attract tons of industries in the last 20 years.

So we paid for it. Now we're paying for it by a debt retirement charge. Ontario Power Generation can build these projects on cost and on schedule and I'm supporting their producing the ones that are economical. I'm not saying they should do all renewables. I'm talking about the hydroelectric operations they currently have being expanded. Wind and solar and all that stuff, introduce them in small doses so you don't impact consumers. I'm not saying that Ontario Power should do all renewables; only the hydroelectric part that is economical.

Mr Ramal: How can we come up with the money? As you know, we have a problem in health care. We introduced a health care premium and the whole province was upset about it. To fix and expand OPG would require billions of dollars.

Mr Fierro: I think if you take a look at some of these projects, the economics pay for themselves. What's going to happen—in 1999 the province removed itself from certifying the OPG debt. OPG will play in the market just like anybody else: borrow the money on their credit rating and build these plants if they can do it. I'm telling you, they'll do it cheaper because there won't be profit, there won't be infrastructure that needs to be built and there won't be ongoing operations that have to be added because they already have the people on the ground. It's a slam dunk. It's clear, it makes sense and I think you need to consider it.

Mrs Cansfield: Thank you very much for your presentation. I just wanted to acknowledge that the minister has already identified looking at all options vis-à-vis water. The water association folks have been in.

But my question is—around your supply in Appendix B, most of these projects require flooding—are you advocating flooding instead of run-of-the-river?

Mr Fierro: I think what I said is that the projects in appendix B require further research. Some of these floodings may be reasonable and some may not. Additional work and a full EA on some of these projects will be required. In that, we would involve community groups and make sure everyone has a say in the project. Those that are economically and environmentally acceptable should proceed; those that are not could be considered for run-of-the-river or the sites would remain untapped.

At some point we need to establish where this new power will come from. In the event that some unused piece of land may be required to be flooded, that may be a minor price to pay as compared to building pipelines for gas and unnecessarily causing increased prices for a lot of consumers.

Mrs Cansfield: I'm not intending to take the attitude of shooting the messenger, but you're advocating that OPG be given the mandate to further explore the potential of hydroelectric, yet many of those sites which require extensive upgrading have been neglected by that same company for a good number of years. Again, maybe it's not within your particular purview, because you're not at the level which made those decisions, but it certainly is something this committee would have to consider.

Mr Fierro: I have a perfect answer to that. Bill 35 tied our hands. We were supposed to get smaller. So in 1997 and 1998, all that Macdonald stuff—we sat idly waiting for some direction. The direction in 1999 was to get smaller. We had to give away one of our river systems for \$340 million when the cost to build those plants would be \$700 million. So our hands were tied by that legislation.

Mrs Cansfield: By that particular bill.

Mr Fierro: Would we have done these projects? Yes, we would have done them. The Beck tunnel is one we've been considering for years. The problem is that we've been blocked by government as opposed to being helped by government in pushing some of these projects through. With your support, we can do these.

Mrs Cansfield: So you're really advocating that politics stay out of the energy sector.

Mr Fierro: Without a doubt.

FRANK KEHOE

The Chair: I now ask for Mr Kehoe, please. Welcome.

Mr Frank Kehoe: My name is Frank Kehoe. I'm a private citizen at this time, but during the course of my career I was chairman and commissioner of Orillia Water, Light and Power for 19 years. I have a lot of disagreement with the previous presentation.

In order to shorten things up and to give you a half-decent lunch hour, instead of reading my presentation here I hope that you would read the presentation and go from there.

My presentation essentially is in three thrusts: the effective use of Orillia as a long-standing utility—of course, Orillia predates the former Hydro-Electric Power Commission and Sir Adam Beck by some eight years, so we've been in the power business for a long, long time. We certainly were the first utility in Canada that was municipally owned to take on hydraulic generation. The first major event of the utility was to pioneer long-distance transmission, which had never been tried in North America. So that went on to the Hydro project, and the Hydro project was able to follow in Orillia's steps.

Prior to the implementation of Bill 35 and the change in the effective use of municipal public utilities, the Orillia utility had a number of projects pre-engineered and on its planning stage. Nine of these were hydraulic or water power; one was using a gas turbine. The gas turbine that was explored was a follow-up to a site that Orillia had purchased immediately adjacent to the Trans-Canada pipeline. Knowing in the future that this might be an activity, they located a substation on the property and transmission lines to the hydro TS as well as to the city of Orillia.

1200

This project is a gas turbine, using the General Electric CFG80C2 engine, which is the engine that powers the 747—a pretty dependable engine, if that's a consideration. The output of that plant is in the neighbourhood of 43 megs, as a stand-alone plant. As a cogeneration plant, adding steam to it as well, that can be increased by another 8 megs. But that was never a viable option at this particular time. It's a non-polluting gas turbine, inasmuch as the pollution is well under 25 parts per million. So it was a good entity.

The power sites that Orillia currently owns are Minden 2, Horseshoe Falls—keep in mind that Orillia has three existing generation plants: one located downstream on the Horseshoe Falls in Minden; one located at Swift Rapids on the Severn River; and Matthias, located on the South Muskoka. These plants exist in addition to the plants I just spoke about.

A plant that is completely pre-engineered is Minden 2, above the Horseshoe Falls. Cook's Falls on the South Muskoka River; Crozier Falls on the South Muskoka River; Sandy Gray on the Musquash River; and five individual plants at Farm Rapids on the Magnetawan River—they all, of course, can't be developed by Orillia. Some of them are in the long-range future, but there are at least 50 megs that can be developed within five years.

The second thrust of the presentation is the problems created by Ontario Power Generation. On the South Muskoka River is the most upstream plant, a plant that is capable of being redeveloped to increase its capacity. But below the plant, we have Ontario Power Generation's Trethewey, Hanna Chute and South Muskoka. All three of these plants cannot take a refurbishing, or the two additional plants of Cook's Falls and Crozier, inasmuch as we would pass 43 CFF down the river, and they, in turn, can't put it.

So for at least 25 years, we have endeavoured, through Ontario Hydro and Ontario Power Generation, to either have them redevelop the sites or sell the sites to Orillia Power. That has just fallen on deaf ears. They haven't made a move. Unless the potential of the river is used, then everything is wasted. I believe they are using as their excuse now that the Minister of Energy is not allowing them to redevelop.

A little bit about the power rates that have existed in Orillia over the years: From 1904 to 1907, it had the cheapest rates in all of North America; from 1917 to 1924, the cheapest rates in all of Canada—keep in mind

that the Hydro-Electric Power Commission was established in 1906, and not even it, in the big scheme of things, could compete—from 1925 to 1950, with the exception of a four-year period, the lowest rates in all of Ontario. When Bill 35 was open, and for the years prior to that, Orillia stood as having the second-lowest rates in all of Ontario, second only to Fort Frances. Fort Frances received all of their power from Boise Cascade, a plant that gave them the power. I would expect the main reason is that Boise Cascade owned the toll bridge that ran to International Falls in the USA, and if they would keep their hands off that bridge and allow Boise Cascade to collect their tolls, then they could enjoy low power. That was the scenario on that side.

The third thrust was when Bill 35 was introduced. It introduced great things for the development of power. It allowed the utility to operate under the Corporations Act. Prior to this, Ontario Hydro would not allow sinking funds, reserve funds. Ontario Hydro would not allow joint ventures or anything in that regard. There could be no cash in the bank. We were restricted. We only joined Ontario Hydro in 1954 because they lobbied our electorate that they could produce cheaper power than in going on to develop Minden number 2. They were partially right at that particular time, because they had just brought on Pine Portage, La Cave, Des Joachims and R.L. Hearn, and refurbished Sir Adam Beck. So they had lots of power at that particular time.

The good that came out of Bill 35 was great in all of the points but the single entity that said the power was owned by the municipality, in the utility. We'd all gone through that by six referendums of the people, the most democratic process we could use. Based on those referendums, the decision was, "Council, keep your hands off." In Bill 35 they said, "OK, the ownership is on their end, and city council will control its destiny." So here we are in Orillia under the Corporations Act, and we give them a fat parcel of money that we supposedly owe. The utility's completely out of debt, doesn't owe one single penny, not one cent. From its inception in 1898 through to 2004, not one penny ever came from the general revenue of the municipality; all of the money came from the electrical consumers. But now, with that little lynch in the legislation, we changed from a very proactive utility related to generation to a utility that became a cash cow to the municipality. That is one segment that has to be changed in Bill 100. Put this back on the ground; recognize that the people of Orillia have spoken. The electorate have gone through this by resolution, and they are saying the complete opposite of that segment of Bill 35. So that has to be cleaned up.

The last segment to consider in the run of the river is something that's probably out of your control. There are two plants on the Severn River, one of them OPG's, the Big Chute, and our Swift Rapids plant. The federal government, through Parks Canada, controls the rule curve for Lake Simcoe and Lake Couchiching, and they don't operate by common sense. Generation can best control that rule curve. They come around on a pre-determined calendar date and say that it's time to open

the dams and waste that water. We're saying that something has to be done in intergovernmental relations that will correct that, put a realistic rule curve here now, at least on those two plants.

That, ladies and gentlemen, is the summation of my presentation. Hopefully I'm under the 15 minutes. I'm open to any questions, and hopefully you can have a good lunch after that.

1210

The Chair: Mr Kehoe, you're under by two minutes, so we'll have two minutes for questions. On this rotation, Mr Arnott, you're first.

Mr Arnott: Thank you very much, Mr Kehoe. I really appreciate the history presentation you've offered as to what has happened in Orillia over the years. I have a lot of family in Simcoe county, but I wasn't aware of all the historical facts that you presented and the good record of management and service that has been provided by the utility that you used to run as chairman. You deserve a lot of credit—

Mr Kehoe: Thank you.

Mr Arnott: —and thank you very much for your advice and offering your opinions to this committee. I don't have any questions, but thanks again.

The Chair: The NDP not being here, Ms Cansfield, the parliamentary assistant.

Mrs Cansfield: Thank you very much. Your presentation was excellent and a good opportunity for us to learn about how distribution companies, or utilities, as we used to call them, used to work. The issue around freedom of information has been identified in Bill 100, and that will be removed so that you can in fact access the information. That was one of your points here.

The other point: I guess I'd need a little more information about the federal government issue around the—what did you call it?

Mr Kehoe: The rule curve.

Mrs Cansfield: The rule curve, and how they would drop in occasionally and say, "This is the day to do it," as opposed to being based on what issue?

Mr Kehoe: The rule curve is a means whereby they can control the Lake Simcoe-Lake Couchiching basin, essentially to be able to handle the snowfall during the winter months. But instead of taking that water down in December, they take it down in September. What we're saying is, if that water was to go through the generation plants by December, when they want the lake down, we'd have created effective use of that water; it wouldn't have been wasted. Hence, we don't waste any water.

On the Severn River, water rental is a federal government issue since it's part of the Trent Canal system, whereas the rest of it is a provincial rental on water.

Mrs Cansfield: Thank you very much. I appreciate that.

The Chair: Thanks very much, Mr Kehoe. We certainly appreciate your input today.

The committee will now stand adjourned. I ask people to get back as close to 1 o'clock as possible, but I do want to discuss a minor issue with members.

This afternoon we actually have two vacancies, at 4:15 and 4:30 pm, and the clerk tells me that Mr Moreau can't be here until a quarter to five due to business commitments. It would mean the committee would be sitting here between the conclusion of PPG and waiting for Mr Moreau at a quarter to five, or we could ask Mr Moreau to provide us with a written submission. The clerk could contact Mr Moreau this afternoon, and that would have us conclude this afternoon after the presentation by PPG Canada Inc. I would just ask for some guidance from members.

Ms Wynne: I guess the question would be how concerned he is that he have an opportunity to present, given that he's on the list. That would be my concern.

Mrs Cansfield: Is that the only accommodation we can make? Can we offer him another—

The Chair: The clerk did call this morning and asked whether he'd be available for 4:15, but due to business commitments in Mississauga he cannot be here until a quarter to five. It's impossible for him to arrive here earlier.

Mr Arnott: I'd very much like to meet the individual in question, but I think it would be reasonable to at least extend to him the invitation to submit his comments in writing and give him the assurance that the committee will undertake to review his written submission, assuming he has a written submission prepared, and give him that option.

Ms Wynne: I guess the question is, if he doesn't want to do that and we've told him he has an opportunity to speak—

The Chair: Then we'll be here for him.

Ms Wynne: Then we'll be here at 4:45, yes.

The Chair: We'll ask the clerk to contact him and provide to him the two options we've just outlined.

Ms Wynne: Or he could come to Clarington, couldn't he, if he wanted to?

The Chair: Or he could come to Clarington. We now have three options. That's terrific. Unfortunately, I can't consult with the member for the NDP, because he's not here. So we do have some concurrence, and the clerk will proceed.

We'll see you as close to 1 o'clock as possible. Thank you very much.

The committee recessed from 1215 to 1307.

OSIRIS ENERGY CORP

The Chair: Next we have the Osiris Energy Corp. You're Mr Kourtoff?

Mr John Kourtoff: Yes, John Kourtoff, and I have André Mech here as well.

The Chair: Welcome, gentlemen. We're glad you're here this afternoon. You have 15 minutes, and you can start your presentation.

Mr Kourtoff: Ladies and gentlemen, members of the standing committee, good afternoon and thank you for the opportunity to take part in today's proceedings. My name is John Kourtoff, and I am president and chief

executive officer of Osiris Energy Corp. To my right is André Mech, vice-president of interconnect and environmental affairs at Osiris Energy.

Osiris Energy is unknown to most of you. We are strongly committed to renewable energy and have two very large projects located in Ontario, which will have an impact on the supply of electricity in Ontario.

Let me open by saying that we applaud Energy Minister Dwight Duncan's tabling of Bill 100 and consider it an important step in developing a complete set of mechanisms that fit within what we refer to as the 5Rs: (1) refocus the direction of the entire electricity and energy sector; (2) rationalize what we are doing and why we are doing it; (3) reorganize and coordinate the regulatory environment; (4) reinvigorate the electricity sector and economy via a coordinated vision; and (5) retest each vision, policy, procedure and action by its ability to further the goals and requirements set out in points (1) through (4). However, we submit to this committee that several other mechanisms, working in unison, will be required so that the maximum benefits from Bill 100 are obtainable.

I know that it is absolutely necessary to balance good fiscal, social and environmental stewardship to come to solutions that will stand the test of time and provide a framework for the lasting solutions that the public expects and deserves.

We strongly believe that many environmental groups need to accept that humans are part of the environment and not a distinct and separate entity. We may have a higher duty within the environment due to our ability to reason and harness more of the earth's resources than any other species, but we are part of the environment nonetheless.

All of us, from ordinary residential consumers to large industry, have lived under a regime of artificially low electricity rates for many years. This has resulted in less emphasis on conservation and, most recently, a shortage of supply. According to several studies, the true average price of electricity in Toronto would be 9.65 cents Canadian per kilowatt hour if all of the debt incurred to develop generating assets were amortized over normal commercial payment terms. Prices in Germany, by comparison, average 20 cents Canadian per kilowatt hour.

Bill 100 is an important step in the process of depoliticizing the electricity price. I am sure that Ontario taxpayers would prefer to see the money that is now going to subsidize electricity consumption go instead toward service improvements, tax rate reduction and debt repayment.

We are in the renewable energy business, but we favour a balanced portfolio approach to energy and electricity generation in the province of Ontario.

Of course, renewable energy—wind, photovoltaics, hydroelectric power and other yet-to-be-devised sources—should be nurtured to grow rapidly to become a large and reliable provider of energy. A number of coordinated steps will need to be taken to achieve this goal.

Nuclear energy has been an important source of baseload electricity for many years now and should

continue to be a significant part of the energy portfolio going forward. It should not be demonized and used as a whipping boy for the ills of the entire electricity industry. The Candu technology, using heavy water and offering more layers of safety, may cost more than competing nuclear technologies, but it also has many advantages as a world-leading solution. We recognize that spent fuel disposal is a difficult, long-term issue, but in a world where no energy system is perfect, the physical size of the problem is small in comparison to disposing of toxic fly ash or sustaining the effects of global warming. The nuclear industry, government and private sector co-operation can solve these problems, given the appropriate resources.

As with almost every economic activity, the challenge is not how to create more—more customers, more volume or more electricity—the challenge is often how to use what you have more efficiently. Ontario produces lots of power; the problem is that we can produce a lot at night when we don't need it. The efficient development and use of storage technologies like pumped storage and, to a lesser extent because of the cost, hydrogen systems, in conjunction with nuclear generation and intermittent source renewables, is the most important development that Ontario can undertake in the short term to “time shift” off-peak generation to on-peak use. Ontario is almost totally devoid of ways to time-shift supply. For example, of nearly 200 major pumped-storage sites around the world, only one exists in all of Canada. The United States has made good use of this technology as a complement to its nuclear plants. We have not even started.

There has been much discussion concerning electricity generation from petroleum and derivative sources such as oil and gas. As the charts in appendices A, B and C to this document show, the stored supply—ie, provable reserves—of both is declining rapidly as our depletion rate increases. As we can all understand, this situation is unbalanced and therefore untenable in the medium and long terms. In the short term, only a rise in price to world levels will clear the market, or, as it is referred to in economic terms, properly “ration” a scarce resource.

Coal prices have risen between 60% and 65% over the past couple of years. The average price of a range of petroleum and derivatives has risen 55.1% in the one-year period up to the end of July 2004. Natural gas prices have risen by a factor of two or three times in the past couple of years. As supply contracts that average about three years come up for renewal, these input prices must be passed on to the electricity consumer via price increases if we expect conservation of dwindling resources and the growth of a significant homegrown renewables industry.

We firmly believe that a broad, bold and complete vision of where we are heading is required. I have always referred to this as the Kennedyesque vision. Kennedy challenged his nation as very few leaders have in the modern era. His challenge to his nation to send a man to the moon and bring him back safely before the end of the

decade required the development of entirely new technologies, industries and ways of thinking that we all enjoy in our everyday lives without actually knowing where their genesis was. We believe Ontario has all of the necessary talented people to provide the lasting solutions we need. All we need is a coherent vision and the appropriate policy directives and signals to back it up.

Sir Adam Beck had that vision. His statue, located not far from this room, challenges all of us here today to develop a new vision for the future in the same way as he did nearly 100 years ago.

We would propose a Kennedyesque vision statement as follows: “Ontario will build the necessary market and regulatory mechanisms so that within 10 years a minimum of 60% of Ontario's electricity generation is from stable, renewable resources. By the year 2020, Ontario will become the largest diversified ‘electron provider’ in Canada, and will export to our neighbours. Via an integrated east-west transmission grid with Ontario at its nexus, Ontario will strengthen Canadian energy sovereignty, and thereby economic and political sovereignty.”

Note that I include large hydro in this definition, which already makes up approximately 28% of Ontario's electricity, so the 60% target is not as unrealistic as it first sounds. It is aggressive, however, and is a target that can only be met with a concerted effort and plan in place.

Back to the 5Rs:

(1) Refocus: The effect of such a stance on refocusing is obvious. Refocusing, using a portfolio approach to renewable energy generation, would provide economic benefits, direct and indirect, of \$450 billion spread over 15 years once economic spinoff effects are included.

The creation of Kyoto credits in such a system would be worth billions more, once made fungible via an exchange mechanism, and reduce implementation pressures while phasing in new industrial standards for emitters and automobiles. This would reduce economic dislocation during the economic changeover that is coming in the energy sector.

Environmental, health and social benefits would be substantial and further make Ontario the envy of the world as the place to live and grow.

(2) Rationalize: We must rationalize what we are doing and why we are doing various activities. This means a continuing role for regulation, with clear demarcation of jurisdictions. There should be no grey areas or overlap where policy enforcement mistakes could occur. Duplicated, conflicting and unnecessarily hindering regulations, both provincial and municipal, are now retarding the growth of electricity supply. In the same manner that zero-based budgeting is widely used, I believe that zero-based regulation should be enforced. This is where coordination comes into play.

A single window mechanism within the Ministry of Energy should be created to assist renewable energy projects in working through the existing system and the new system that will emerge from the government's activities over the next couple of years. Although it may sound contrary to the goal of reduced bureaucracy, we

propose that several interministerial working groups be set up to coordinate regulatory and legislative activities to reduce bureaucracy and streamline processes. The working groups we initially propose are energy, finance, environment and MNR; a second group could be finance, energy and environment; and a third group could be energy, environment and MNR. Additional groups could be created or removed as required.

(3) Reorganize: We need to reorganize and coordinate the regulatory environment so that a clear message is sent to the public, the electricity industry, ratepayers and investors in the Ontario economy.

We believe that the following mechanisms must be developed so that Bill 100 is successful and efficient in meeting its goals:

The OPA must be considered as a facilitator to enter into long-term PPA contracts and then "sell" these contracts into energy securitization pools that in turn sell the units to the public via investment firms. These units would be listed on the TSX or other mechanism and openly traded.

A best-of-breed on-line wholesale electricity trading mechanism was set up several years ago between the world-renowned Fields Institute of Mathematics at U of T, about half a kilometre from this room, and a private sector partner. We do not need to look elsewhere. The solutions are here.

(4) Reinvigorate: Reinvigorate the electricity sector and economy via a coordinated vision for the long, medium and short terms that does not look at political expediency as a solution to anything.

We believe the existing tax credit benefits now given to labour-sponsored investment funds, which have been ineffective at providing new energy investment, should be extended to a new entity that we refer to as renewable energy development funds. These development funds would have to be invested in Ontario in any qualified renewable energy projects developed in Ontario. No one renewable energy source would be favoured over another. Appropriate PPAs and financing would have to be in place for the project to qualify to receive the tax benefits. We believe that this refocusing and rationalization of existing financial resources would provide the maximum impact in the energy sector.

Another part of the rationalization is the ability of renewable energy projects, or REPs, to have a Canadian mechanism to trade emission credits. The ability to make fungible emission offset credits would either lower the cost of capital or increase the rate of return and thereby make REPs more able to attract the necessary capital to develop the projects.

Ontario has not done enough in this regard. A best-of-breed greenhouse gas exchange, GHGx.org, located here in Toronto, could be used to export Canadian Green-keeping know-how to the world. This creates momentum in the Ontario economy in addition to secure, well-paying green jobs and revenues.

We propose that the Ontario government actively pursue an industrial strategy to encourage advanced

renewable energy technology companies that are located in Europe and elsewhere to locate in Ontario to both meet demand in Ontario for their goods and services and also use the economic strength of our local markets as a springboard for the wider Canadian and North American markets.

(5) Retest: Retest each vision, policy, procedure and action by its ability to further the goals and requirements set out in points (1) through (4).

A yearly review mechanism should be set up through a legislative formula, with the results to be submitted to an oversight committee.

The Provincial Auditor should be asked from time to time to provide a quantification of the costs and benefits to Ontario of Bill 100 and the other mechanisms that will be set up to re-architect the Ontario energy industry, and report back to the Legislature.

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In summary, we are not here to ask for changes to any specific sections of Bill 100. Rather, we are emphasizing the need to consider Bill 100 as part and parcel of a series of mechanisms that need to be developed in parallel, and that these additional mechanisms must be considered in drafting regulations to implement Bill 100's intent.

We believe that, through this legislation, the province has the unique and singular opportunity to secure its energy sovereignty and restore its competitive energy position well into the future. As we see it, Bill 100 is an essential linchpin in the development of several mechanisms that are interconnected and necessary for the functioning of a stable, transparent, efficient and plentiful electricity sector in Ontario.

The Chair: In this round of questioning, we have you first, Mr Kormos.

Mr Kormos: No, thank you, Chair.

The Chair: The government side, if there's a question. We have about two minutes.

Mrs Cansfield: Thank you very much for your presentation. It was excellent. You had some really innovative ideas that we will take back and pursue with the ministry, particularly around the issue of renewables and some sort of opportunity to invest in renewables. I've heard from many individuals who say, "I have a small amount of money. I'm very interested in renewables. I'd like to invest. Is there a mechanism?" So I think it's really worthwhile exploring, and I thank you for that very innovative idea.

Mr Kourtoff: Thank you for your comments. The LSIFs have been essentially just a job-creation project for the people who manage them, because they haven't fully invested the funds. CSBIFs were created to reduce their penalties, and now they're gone. So we see no purpose—and if there's going to be a focus, then focus it on an issue that the province has deemed worthy of the funds.

We feel that the emission credits issue, though, which maybe André can speak to, is really a much larger issue going forward, with its impact, because of the ability to have capital flows based on the presale of those credits.

Mr André Mech: Emission credits are fairly interesting. If we take a look at emission credits by them-

selves, to each one of us as individuals, it's really not a big deal. We could probably meet our emission credit mandate with \$30 a year. So to individuals, it's no big deal. But if you put that in a significant economic package, all of a sudden these credits do provide a tremendous incentive, maybe to a large energy provider or run-of-river, to offset current high-emission energy providers.

So the government should probably take a look at what size or what package emission credits should be provided to the sector. Also, how do you trade those in a truly transparent manner in the public sector? It's much like government debt. We're all very familiar with the province of Ontario bonds. We grew up with them. That's really traded government debt that's done through the public sector. I think we could do the same thing with emission credits and provide incentives to industry.

Much like Dalton McGuinty and the minister said, we're looking to incent the industry to change. This is one way of doing it within the confines of an agreement that the government has already signed.

Mrs Cansfield: Maybe you could help us by clarifying emission credits, both for the people who are watching this committee and the committee members.

Mr Mech: In the United States, they trade sulphur dioxide and nitrous oxide. They've been doing that with sulphur dioxide since 1992. With the signing of the Kyoto Protocol, we're all fairly familiar with the fact that we're going to have to limit carbon dioxide production. People who exceed their carbon dioxide quotas will be able to sell those to industries that will not, for financial reasons, be able to do it. In some industries, there will be very solid, valid business reasons why they should not implement emission reduction at this time. It may not be economically viable. So they can purchase credits to offset their obligation. That's the trading mechanism.

Currently those trades tend to be bilateral: two people get in a room with a piece of paper and say, "You reduce yours, and I'll buy those," and that's it. But that's not a true market. A true market is where everybody can get in. A corporation can sit there or a CEO can say, "Do you know what? Is that the cheapest price? Can we get that somewhere else? Can we offset that? Can we buy futures so that we can provide investors with security? Or do we want to be true to our corporate mandate? We're a risky corporation, so we're going to see what happens." Provide that opportunity to industry and let industry decide. If you do that in significant economic units, buying carbon dioxide for a number of years forward takes away risk. But also, if you're selling carbon dioxide, it provides the seller with a renewable source of income to offset the cost of implementing a change to meet climate demand, and also meet the requirements of energy.

Mr Kourtoff: One last point on that: In the entire situation with Kyoto, what a lot of people don't realize is that Kyoto grew out of the Montreal protocol, which was sulphur dioxide and nitrous oxide. So it really was a Canadian mechanism; Kyoto really grew out of a Canadian mechanism. For 40 years, we've traded on Lester B Pearson's model of Canadians as peacekeepers. It

might be the time for us to renew that and to be green-keepers. That might be a more interesting model going forward.

There's a lot of business to be done this way, and it's more of a benign business than alternatives. So we would look at that. It may challenge the Premiers, who have asked to talk about lowering interprovincial trade barriers. Well, there are none yet for greenhouse gases and other gases in Canada, and that may be the start of a way of showing co-operation on a countrywide basis.

The Chair: Gentlemen, thanks very much for a very thoughtful and informative presentation.

MATTAGAMI RIVER DEVELOPMENT PROJECT TEAM

The Chair: I now ask the Mattagami River Development Project Team to come forward. Mr Chilton, Mr Dottori and Mr Walsh, please. Before you make your presentation, could whoever is speaking identify himself for Hansard, please.

Mr Paul Dottori: Hi. We're with the Mattagami River Development Project and we're here to invest in renewables. My name is Paul Dottori, corporate director of engineering for Tembec. With me is Ed Chilton, with Moose Cree First Nation, and Jack Walsh, who is representing Tembec as well.

We've been working on this project to develop an important renewable resource to deliver more power to the Ontario grid. We'd like to provide a brief overview of the project. Recently we met with key stakeholders in our communities in northern Ontario—mayors, chiefs, councils, regional economic development committees from Moose Factory and Moosonee through Kapuskasing, Hearst, Smooth Rock Falls, Timmins and Cochrane—and we were urged to review this project with this committee.

Our corporation is a multi-stakeholder partnership put together to develop sustainable power in northern Ontario. It's a partnership between Moose Cree First Nation, SNC Lavalin and Tembec. SNC Lavalin is a world-renowned construction and design company in hydro power. Tembec is an integrated Canadian forest products company with over 4,000 employees in Ontario. Mattagami River is within the traditional lands of the Moose Cree First Nation.

The current Ontario supply gap that's forecast for 2008 is approximately 7,500 megawatts based on the coal exit strategy. This project would provide 384 mégas of clean incremental hydro power through increased generation at four existing hydro sites.

Here's a photo of one station. The plan would be to increase the size of the existing station—new foundations, building extension and tying in to the electricity network. One of the stations would be completely redeveloped—it's the oldest of the four—and a new station would be built just downstream from the existing station. Two other stations would be similar to the first, with each getting one extra hydro turbine.

Overall, this project supports the new vision for Ontario's electricity sector. It's fast to market, in that we

have an organized partnership. We initiated ministerial briefings last year. A detailed design is underway. The partners are ready to take on some PPA contracts. With the OPA, there's an opportunity there as well, as we see it, for PPAs. The financial markets have been prepared for the investment. So far, we've received some very good feedback. It is new, clean generating capacity, an additional 384 megs of hydro, which supports the provincial government's coal exit strategy.

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Private sector investment is important to this project. The capital would be raised from the private sector. We have expert financial and technical partners. We're willing to take on long-term contracts and, obviously, that provides a shared risk with the private sector.

It's very important to the north. This project would very strongly support regional economic development: up to 120 direct construction jobs; approximately \$100 million in local contracts; over 250 regional construction jobs. It would provide improved feasibility for further resource development in the north. It's a strong opportunity for Moose Cree First Nation employment. Northern Ontario municipalities and chambers of commerce currently strongly support the project.

I'll let Mr Chilton discuss the environmental footprint.

Mr Ed Chilton: Currently, there's an existing EA that will expire in June 2005. We look on it as being able to improve the environmental footprint of those four existing stations. We're modernizing the oldest of the four stations, which was constructed in the late 1920s. We would convert what is basically wasted energy spillage into electricity.

Currently, there is an existing Adams Creek diversion where all excess waters during high peak periods flow around, and that has caused extensive erosion of Adams Creek into downstream rivers. By improving the environmental footprint, we've also designed areas where we would improve the fish habitat and provide opportunities there for hatcheries.

Moose Cree First Nation is committed to working with the Ministry of the Environment to complete the existing EA in a manner that would incorporate the traditional knowledge of the surrounding First Nations in that area. While the Ministry of Energy's guidelines can serve this project, we feel that we can only enhance the actual environmental assessment by working together, and utilizing the knowledge that's within the First Nations territory.

Moose Cree First Nation is presently involved in different sectors in which we are determined to become self-reliant. We work in the forestry and eco-tourism sectors, and now want to enter the energy sector.

We also believe that, in working with this partnership with the involvement of Moose Cree First Nation, this government can develop a model in which it can work with other First Nations in Ontario to improve or develop hydroelectric generation stations.

I want to pass this message on to the standing committee from Moose Cree First Nation: Moose Cree First Nation, with their membership, strongly supports the redevelopment of the Mattagami River complex.

Mr Dottori: Why now? The partners so far have invested in the project development and the question is, why is now the right time to proceed?

The partnership has been in place for a while. Some work has been done. We've prepared some capital cost estimates and have done some design.

The environmental benefits are significant. It meets the need for new generation, which is currently the topic of much discussion. Our purpose is aligned with the new electricity vision that has been prepared by the Ontario government. It supports the coal exit strategy.

The economics are favourable at this time, and financing is something that is available at this time.

We thank you very much for the opportunity to present today. In summary, over the past 12 months, we've been working with and have met with various Ontario government officials in the Premier's office, in the Ministry of Energy, the Ministry of Northern Development and Mines, the Ministry of Natural Resources, the Ministry of the Environment and the ministry responsible for native affairs. We're here today to present our project to the committee and, specifically, to urge the government of Ontario to sit with the project team so that we can expedite its development. We thank you very much for your time.

The Chair: I just want to say I'm impressed with the involvement of the First Nation community. Because anybody who knows history remembers the Bourassa government and the problems they had with James Bay and the Cree nation. It's very refreshing to see the approach.

The government side, if they have a question—you have about three and a half minutes.

Ms Wynne: Thank you for being here. It seems this is the kind of thing that we're very interested in promoting. I guess my only question is, when you read the bill, is there anything you see that you're worried about that would make you feel like you're not going to be able to move forward with this project? I know the minister has already said he's interested in all water generation possible.

Mr Dottori: Not really. I think it's just specifically that the OPA is a good step in the right direction in that it provides for long-term contracts. Beyond that, we're just basically after a direction from the government to say that this is the way this project needs to be handled, because the assets belong to OPG. Therein is the issue for us: How do we participate in that development? We're prepared to bring the capital. We're prepared to bring the engineering, design and the construction risk. We're prepared to take those risks. Therefore, how does the Ontario government see this project moving forward?

Ms Wynne: My understanding is that the regulations will clarify some of that. I think the parliamentary assistant might want to comment on that.

Mrs Cansfield: Thank you, again, for coming and presenting a very exciting project. I reiterate what the Chair has indicated in terms of the First Nations being at the table. It's refreshing, and I thank you.

It's a little bit more complicated, isn't it, gentlemen, than just this? There are some outstanding issues that need to be resolved before we can move forward. But I think that, in your discussions you've had with the ministry and with others, there certainly is a willingness to come to the table and find some resolution to those challenges in order to move forward. I won't take the committee's time to make those issues public. I think they still need to be resolved. But I feel very sure that with goodwill at the table these things can, and will, happen.

The Chair: Mr Ramal, a quick question. I want to get Mr Arnott in for a quick question, too.

Mr Ramal: How much will it cost per kilowatt through this technology?

Mr Dottori: We don't know exactly yet, because we have to work out the details with the Ontario government and with OPG. But overall, hydro power is the cheapest power in the overall mix in Ontario. Therefore, it should be power that should help to reduce the overall average in Ontario.

Mr Arnott: I was encouraged to hear Mrs Cansfield's reassuring statement, because your project sounds like an excellent one that deserves and merits the support of the government, from what you've presented here today. I don't know if there have been any formal objections registered from anyone, but you indicated that you've got all the municipal councils onside and you've worked with all the partners to put together a very exciting project. I wish you good luck as, hopefully, the government moves forward as quickly as possible to give you the direction you need to move forward.

Mr Dottori: Thank you again for your time.

The Chair: Gentlemen, I want to thank you for being here today.

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PATRICIA MacKAY

The Chair: Patricia MacKay, please. Welcome, Ms MacKay.

Ms Patricia MacKay: My name is Pat MacKay, and I hope you won't ask me any technical questions, because mine is a pretty simplistic approach, with a particularly personal interest in the environment, and I felt I should come and say what I have to say.

The Chair: You have 15 minutes, and any part of the 15 minutes you don't take up, we'll have questions from the members of the committee. Please proceed.

Ms MacKay: Thank you for having these hearings so that citizens can come and say what they have to say. I am here as just exactly that: a concerned citizen, perhaps as much as anything as a grandmother who feels that we all have a responsibility for the future. I'd like to be able to look my grandchildren in the eye and say, "I tried. I did a little bit of something." It wasn't hugely impressive, but I'd like to at least feel that I didn't just stand by and say, "What can you do?" which I think is the worst phrase of all.

I really believe that Bill 100 is going to affect Ontario's electricity supply for at least the next 10 years, and probably for generations, so I think we should all be paying strong attention to what's in it.

I'm here because I'm a strong supporter of renewable sources of energy and, in particular, wind power. It seems to me that there is a significant potential here to encourage farmers, co-ops, First Nations and community groups to become involved in developing wind power. We know that it's non-polluting, it's safe, it's clean and it can generate power continuously. There's no risk of catastrophic accident or sabotage. With government encouragement and support, community groups could participate in a meaningful way to augment and possibly replace some of the existing polluting sources of power.

My personal interest is because I have 500 acres of land that is northeast of Bowmanville and I would like to be able to put wind turbines on that property. I would like to be able to think that it is going to be used in a productive way, a non-polluting way, and that it's just a small gesture that my family could contribute toward producing power and not cause problems. I believe that there are many other farmers and landowners who would like to benefit from providing their land for an environmentally sound way of generating electricity.

At present, there are many stumbling blocks, most notably the difficulty of getting a purchased power agreement with a local utility that would pay enough to make the necessary investment profitable. It's my understanding that other provinces in Canada and several European countries—Spain and Germany, to mention just two—have made major strides in developing successful wind industries.

We now have an opportunity for Ontario to give leadership, to show initiative and to build a cleaner, more sustainable electricity system. I believe that Bill 100 should strongly endorse, encourage and facilitate the development of wind power and other forms of renewable energy. It's important that this support be firmly stated in the legislation and not be left to the discretion of the minister or ministry personnel. I think there's an enormous opportunity here for Ontario to really show its capacity to lead, to demonstrate to other provinces and to other countries what can be done, and I really hope that this will become a part of Bill 100. Thank you.

The Chair: Thank you very much. In this rotation, Mr Arnott, you're up first.

Mr Arnott: I wanted to thank you very much as well for your presentation today. I don't have any questions. You were very clear and forthright with offering your suggestions and offering your property as a possible venue for a significant wind generation facility. There might be an investor out there who's following this committee's deliberations and hopefully will be able to connect with you at a later date, but I think there is merit in the government continuing to explore this issue with people who are interested, like you. Certainly your participation in the process is most sincerely appreciated.

Ms MacKay: Thank you.

The Chair: Mr Kormos isn't here. I'll go to the government side. Mr Craitor, please.

Mr Kim Craitor (Niagara Falls): Thank you, Patricia. It's quite a pleasure to have you here. We've had three days of hearings, and yours is one of the ones that I certainly won't forget. You did use the right words: that you're here, you've tried, you're participating. I can tell you that all the members, no matter what ridings we come from, are all here for the same reason as you: We're all trying to make a difference.

Wind power: That's something that I do support. In Niagara Falls, the riding I come from, we have a number of people who have been into my office and had the same suggestion as yourself. Owners of golf courses have come in and said they're prepared to make their land available. We have a lot of farmers down in our area; they're quite interested in making their land available, if the opportunities exist. I tend to agree with you: There are some difficulties that people like you face when you want to make your lands available for wind power, so that's something we're going to have to take a look at.

Just to share with you: In Niagara Falls we have a new community centre coming on board. One of the things we're working at is to try to convince the city to put up a wind power station right on site, not only to generate power for the community centre but also from an educational point of view, to show the kids who are coming on board the importance and the benefits of wind power.

So your time here is well spent. We all really appreciate it, and I do as well. Thank you very much for appearing before the committee.

The Chair: Ms Wynne and then the parliamentary assistant.

Ms Wynne: I just had a question, Pat. Can you take us through the process? You said there's a barrier, the purchase agreement. Can you just take us through what you've been told so far?

Ms MacKay: It's just basically that it's very complex at this point in terms of trying to determine how you get the provincial approval, how you get the—

Ms Wynne: Who have you dealt with? What's the procedure that you've gone through up to this point? I'm just trying to get a handle on where the problems are.

Ms MacKay: At this stage, I'm really investigating it and not knowledgeable, really, in terms of all the possibilities. It's my understanding that I could be part of a co-op. I could lease the land to somebody else. I could try and develop it myself, but the capital outlay to put turbines on your property yourself is—

Ms Wynne: Huge.

Ms MacKay: —huge, just huge. So unless there was some way of really assuring that there was going to be some kind of subsidy for farmers and individuals who were prepared to do this, or some kind of assurance that there would be a set amount payable over a period of years so that you could amortize the cost, it would be a risky thing to go into.

Ms Wynne: So you need some of those pathways clarified and what the assurances would be.

Ms MacKay: Yes, and a sense that the government wants people to do this and is going to facilitate, assist and promote the idea, rather than make it difficult.

Ms Wynne: OK. That's very helpful. Thank you and good luck. We'll try to do our bit.

The Chair: The parliamentary assistant.

Mrs Cansfield: I appreciate your coming as well.

Ms MacKay: It does take a little nerve, I've got to tell you.

Mrs Cansfield: It's fantastic that you are here. I want to just restate the minister's position that he is prepared to do absolutely everything and anything to facilitate the small or medium-sized wind turbine initiative to go forward. We recognize where the barriers are. Some of them will be identified in regulation and others will be identified in an omnibus bill. So you need to know that there is a strong commitment toward alternative energies, clean energy, from this ministry, and that the minister himself has said that it will be an integral part of the mixed supply of this province.

I know where your barriers lie. I think there are huge challenges for you, but there are lots of people prepared to work with you to overcome those barriers, starting with the minister himself.

Ms MacKay: I'm known for persevering, so I won't quit easily.

Mrs Cansfield: I'd be delighted, actually, to give you my card. If you'd like, I could help you follow through with some folks whom you might be able to move forward to and get some additional information.

Ms Mackay: Good. Thank you.

Ms Wynne: I was just going to say that if you take Mrs Cansfield's card—if we've said the barriers have been removed and you're still facing them, please, you can get in touch with any of us, but you'll have Mrs Cansfield's card. It's good for us to know what's actually happening on the ground.

The Chair: You may also want to contact General Electric in Peterborough, because I know they're looking at a business plan to perhaps build wind turbines at their Peterborough location. So you may want to contact them too.

Ms Mackay: Thank you.

PUBLIC PROTECTION ACTION COMMITTEE

The Chair: Next we have the Public Protection Action Committee: Mr Hood and Mr Poulos, please. You are, sir?

Mr Ian Hood: My name is Ian Hood. I'm with the Public Protection Action Committee. I'm also involved with Global Warming Prevention Technologies. I'd like to thank the committee for allowing me to make this presentation.

I'll come straight to the point, gentlemen. There's no way possible we can do away with coal-fired generation, based upon the realities after 9/11 and a host of other dilemmas too numerous to mention. You have a disk in

front of you that will give you a complete understanding of what's going on in the nuclear industry as far as the deficiencies are concerned. These are government documents. I can assure you, once you review them, the implications are staggering. It gives you the reasons that the cost factors, the cost overruns and so on are so high. It gets down to generic design deficiencies called fuel string relocation. It also explains what happened as far as the tritium leaks and a host of other dilemmas.

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The problems are very severe. Coal-fired generation must be maintained in an environmentally friendly, cost-effective scenario.

We have worked for two and a half years, looking at every single alternative. We have designed the rain tunnel, which you can see there, as far as the presentation. OPG was pursuing it, but the venture capital part of OPG no longer exists. They want—Blair Seckington, and I have met with Jake Epp—a bench test.

The bottom line simply is that there is an answer. It's very basic. We're mimicking Mother Nature, more or less, but there's a lot more to it than that.

The rain tunnel is absolutely the most viable alternative at the present moment. We will not support coal-fired generation in the state it's now in. But it can be cleaned up, it can be made environmentally friendly and the cost savings are staggering. Most of all, it is the most secure energy source we have.

We can provide you with a huge amount of information on why it must be maintained at all costs. The cost-effective scenario as based upon our presentation is very real. The amount of time and effort that has gone into developing this is staggering. We've looked at everything, and I mean everything. It got down to the rain tunnel. Some of the best minds in the business have worked on this.

It will work. It's very basic. If you go outside after a rainstorm, you can see exactly what the atmosphere looks like. It's very clean. It rinses; it takes care of the problem. Nothing goes into the lake. Everything is recycled, in the sense of the technologies we have, in order to purify the water and recirculate it.

Venture capital at OPG doesn't exist. So we're back before this committee clearly stating that we have an alternative. Let's explore it. If they want a bench test, let's find the necessary funding in order to do that. We've spent a great deal of money and time.

I can assure you that once you review those disks you have in front of you, you'll understand clearly how important it is to maintain coal-fired generation. In CANDU there is a generic design deficiency, called fuel string relocation, that has cost billions of dollars to try to correct, and they can't correct it. Also, it will discuss the most serious scenarios around the tritium leaks and why they happened—again, very serious problems. We cannot rely upon an energy source that has a generic design deficiency in it. That doesn't mean we shouldn't try to do something with the CANDU reactors, but one thing is for sure: We have to maintain coal-fired generation. Other

than that, we're looking at disaster, and I mean serious problems.

I can assure you of one thing: Our effort and time is devoted to the province of Ontario and its citizens in Canada alike. We care. Some people around this table know me. I've been down here off and on for 30 years. I can assure you of one thing that's extremely important: Our energy source, if you put heating and hydro under the same scenario as far as natural gas is concerned—I'm going to tell you something here and you can check this out.

In California on Thursday there were two serious eruptions on a major, major natural gas pipeline, so serious that it's now under investigation under very suspicious circumstances—two at the same time. Can you imagine what would happen here in Ontario in the middle of winter, when you have tens of thousands of homes depending upon heating and hydro from the same source, a 2,000-mile pipeline that can't be protected? Imagine the devastation and problems that would be created.

Coal-fired generation is the most secure energy source we have today. After 9/11, we have to be very, very careful, based upon those scenarios. I'll provide you with intelligence reports; you name it, you can have it. Colin Kenny, Senate committee of security and national defence, his positioning on all of this—we need coal-fired generation, and we've got to make it environmentally friendly. We can do it, but it's got to be cost-effective and it's got to be, without question, pursued, pursued, pursued.

The Chair: Thank you very much, Mr Hood. We have about seven minutes for questions. In this round, Mr Kormos isn't here, and we'll go to the government side. Are there any questions on the government side? The parliamentary assistant, Mrs Cansfield, please.

Mrs Cansfield: Mr Hood, I want to say thank you as well, because you constantly give me information that I do get an opportunity to read. I really do appreciate it. It's a chance to learn.

I recently heard about another technology involving the use of the CO₂ out of coal plants to go into it, and I'm not sure, sir, if it's oil to help in the oil refinery because it makes the process better. I think a couple of the major companies are working on that in Alberta. Have you heard anything about this?

Mr Hood: Yes, I have. It's about \$17 to \$20 a kilowatt. It's—

Mrs Cansfield: Not viable.

Mr Hood: No, it's not viable. Not only that, but there are some other downsides to it. But there's no way the province can absorb that kind of a hit as far as energy costs.

We have now tens of thousands of jobs that could be lost if the energy costs go up to what is anticipated; at 53%, there's no way. We have to keep it within a reasonable realm. We must maintain those coal-fired generation plants. This would be roughly around \$6, and that's pretty—I think it's even lower than that, but that is the

extreme, because it's basic. All we're doing is utilizing water and some larger controls. There are some other scenarios as well. But the amount of time and effort that went into finding this—we've looked at everything, and I mean everything, from A to Z.

Mrs Cansfield: Well, I know it's been quoted—I think it's the adviser to Mr Blair who feels this is a worse threat to our livelihood than terrorism is, the CO₂ emissions issue and global warming—

Mr Hood: Exactly.

Mrs Cansfield: —and that we need to find some solutions to deal with it. So I thank you for bringing this forward. I really appreciate it.

Mr Hood: By the way, we're very strong environmentalists. We care. We don't like the way things are at the present time.

The Chair: Mr Ramal, please.

Mr Ramal: Thank you for your presentation. Definitely it was an educational session for me. We listen to a lot of people talk about the cogeneration, anti-environment, and all the direction from all the parties, the government levels, against it and working on phasing it out in the future and replacing it by different sources. It's a surprise for me when you mention it's most effective and cost-effective and can be environmentally friendly. Can you explain to me how it can be, with maintaining the cost-effect?

Mr Hood: What's that, sir? I'm sorry. Maintaining the cost-effect?

Mr Ramal: Yes.

Mr Hood: Well, basically what we do is, we don't have to tear these plants down. That's number one. Number two, the amount of money to produce a rain tunnel is very minimal. Number three, the maintaining of that, again, is about—I think \$6 a megawatt hour is rather exorbitant, but our consultants say, "Go to the extreme as far as costs." I think it's even lower than that.

So that means, number one, you have a secure energy source. Number two, the cost factors are minimal. Number three, it's environmentally friendly. But most of all, it's the most secure energy source we have. Today, with the serious problems we face—as I said, I'll give you all kinds of reports to substantiate this—we have to maintain coal-fired generation. There's no way we can protect a 2,000-mile pipeline and put cogeneration on it—

Mr Ramal: What about nuclear facilities?

Mr Hood: Well, the nuclear facilities, as you know—I won't get into all of it, but there are very serious questions about the latest arrests in regard to the Immigration Act, where they found in this gentleman's apartment very specific drawings in regard to Pickering. He was taking training at the island airport, OK?

In order to even deal with a coal-fired plant, you would need explosives beyond—and there's no fallout. It would be almost impossible. Not only that, it would be only one plant, and we've got five out there. We should be looking at revitalizing the rest of them. But it can be made environmentally friendly, and we wouldn't be here

preaching it in the sense of trying to revitalize it unless it could be, because I do not support it in the manner that it now is. There won't even be stacks. It can work; it will work.

1400

Again, Jake out there, I've met with him, and I've also met with the director of new energy sources, and they want to do a bench test. But their venture capital part of OPG no longer exists; it's gone. There's no question that the security issues are paramount and cost factors are important, and we can't lose the jobs. Have you any idea how many people right now are looking to go south of the border because of the potential of what these cost factors represent, not also taking into consideration the border dilemmas? You put the two together and we can see serious problems here. We have to deal with this thing and we have to maintain coal-fired generation. We can do it in an environmentally friendly way, and I can assure you that's 100%.

The Chair: Mr Craiton, quickly. I'd like to get Mr Arnott in for a question.

Mr Craiton: I have just one follow-up question. A bench test—what does it cost for that?

Mr Hood: A bench test? I would say we could probably get by with about, depending upon the extent of the circumstances and so on, maybe \$2 million or \$3 million. But it has to be done 100% and it has to be 100% in the sense of the results. But all of the testing—

Mr Craiton: You're asking the government to pay for that.

Mr Hood: There are other people out there, but if the government wants to participate, we'd like nothing better. But we've been told by OPG that that's what they want. Blair Seckington has told us clearly, and they've reviewed all of this, "Ian, we want you to do a bench test, but our venture capital no longer exists." But it's very quick, and as far as building this thing and putting it into effect, it can be done very quickly.

The Chair: Mr Arnott?

Mr Arnott: But you have abundant faith in your technology that you've developed—

Mr Hood: How are you, my old friend?

Mr Arnott: Good to see you. I want to give you all the encouragement that I can, as you continue to pursue your idea. I hope that venture capital does become available so that you can test it and demonstrate what it's capable of doing. If your concept works, it would be a tremendous benefit to not only Ontario residents but probably those throughout North America and indeed the rest of the world.

Mr Hood: It has taken a long time but, you know, it gets down to old Mother Nature. When you go outside after a rainstorm it's clean. Basically, that's what we came down to. After everything we looked at and looked at, some of the best minds over at the universities got together and said, "This will work." And it does work every day that it rains, after you go out there after a good rainstorm and you can breathe the air. But we've got to make sure that nothing gets into the lake, so we have all

of these recycling scenarios of the water and we take all of the sulphur out and we put it right back into industry. But it has taken a long time to come up with it. It wasn't easy finding this solution, but it works.

The Chair: Gentlemen, I want to thank you for your very fine presentation. It's great that you were with us this afternoon.

Mr Hood: Thank you for your time. And, by the way, when you do have a chance, look at those disks because what you have there is the AECL investigations into the nuclear industry. I can assure you, those documents are no longer in existence, because they were destroyed. But you have very serious information there. Anything else you need, I can assure you we can provide. We have hundreds and hundreds of files on the problems associated with the nuclear industry, but it needs to be pursued and helped.

CANADIAN FEDERATION OF INDEPENDENT BUSINESS

The Chair: I'd now like to call on the Canadian Federation of Independent Business: Judith Andrew, the vice-president for Ontario, and Satinder Chera, the director of provincial affairs. Welcome to our committee, and good afternoon.

Ms Judith Andrew: Good afternoon, Mr Chair and members of the committee. I'm Judith Andrew, vice-president, Ontario, with the CFIB. Satinder Chera is to my right, and another colleague of ours, our senior policy analyst on the electricity file, Tom Charette, joins us today as well. My colleagues and I would like to thank you on behalf of our 42,000 small and medium-sized business members across Ontario for the opportunity to make this presentation to the standing committee with respect to Bill 100.

If I could briefly address your attention to the kits that you've just been handed and acquaint you with the content of those kits: You have some documentation around today's statement on the right-hand side. The next issue is an information piece we've prepared for our members that we are delivering to them across Ontario so they can attempt to understand what has transpired in the electricity industry and what some of the key issues are that we're facing. You have a letter that we prepared for Minister Duncan on April 1, when the pricing change came into effect. And some prior briefs are there as well. We've been working on the electricity issue for some years now and we continue to approach it with all good spirit so that we can eventually get to the place we want to be.

I want to say at the outset that CFIB agrees in principle with the direction laid down by the government in Bill 100. We support the government's efforts to depoliticize this key issue. We appreciate that the government is following through on their commitment to provide small business with predictable and stable electricity prices. However, we do withhold our full endorsement, pending the development and outcome of regulations that will

govern low-volume consumers. Naturally, we are very interested in having further discussions with the government on that.

I should also mention that we have survey questions in the field right now to our membership and we're getting thousands of responses back dealing with small business consumption and also their interest and activities in the conservation arena. So that information could certainly be made available to the committee should you wish it.

The primary interests of Ontario's small and medium-sized business sector, which actually accounts for about half of the province's GDP and employment, are in fact avoiding periods of brownouts and blackouts. Last summer's blackout, of course, cost our sector somewhere in the neighbourhood of \$1 billion to \$2 billion. Our members are also interested in the significant and, we would say, avoidable increases in the price of electricity. We submit that these are the interests of all other electricity consumers in the province as well.

We feel that Ontario's ability to meet these objectives will be strongly tested. The starkest element of the reality of the situation we find ourselves in is that Ontario must replace 80% of our current generating capacity over the next 15 years, at a staggering cost—we've been given estimates of between \$25 billion and \$40 billion—and at the same time accommodate net demand increases. As the Minister of Energy said in introducing Bill 100, "Our ability to keep the lights on has been compromised."

As far as the objectives of Bill 100 are concerned, as set out in section 1 of the legislation, we endorse those objectives, with the proviso that they be accomplished with all due caution and in a manner that is transparent, accountable and in fact minimizes the prospect of further difficulties with the electricity sector.

In announcing Bill 100, the Minister of Energy referred to a decade of mismanagement in Ontario's electricity sector. To take one example, the news release that accompanied the report on the Pickering A nuclear facility actually said:

"At that time, (1999) OPG estimated that the total project would cost \$1.1 billion, and that all four units" at Pickering "would be operational by December 2002." By "September 2003, only a single unit, unit 4, was returned to service, and at a cost of \$1.25 billion—triple the original estimate for that unit and two years behind schedule. The three remaining units are still out of service." So the last decade certainly had its problems.

1410

We would encourage the minister, the government, the members of the committee and indeed all members of the Ontario Legislature to actually reflect on the meaning and implication of the debt restructuring charge that now appears on electricity bills in this province. The DRC accounts for a full 0.7 cents per kilowatt hour consumed in the province. It is a monthly or semi-monthly reminder to every consumer in the province of the mismanagement that has plagued the province's electricity sector for several decades and under governments of every political stripe.

The thrust of our presentation today is to urge this committee to recommend amendments to Bill 100 that provide additional steps, beyond those already contained in the bill, to minimize the possibility of further mismanagement going forward.

Mr Satinder Chera: The first of our two major recommendations calls for the creation of an office of the provincial electricity auditor. This office would be responsible to the Legislative Assembly of Ontario in a manner that is consistent with that of the Provincial Auditor and the Environmental Commissioner of Ontario.

The office of the electricity auditor would be responsible for two oversights. First, it would periodically audit the operations of, and make recommendations with respect to, improvements on the efficiency of the following: the Ontario Energy Board, the IESO, the Ontario Power Authority and local distribution companies. These entities quite properly have been placed beyond the day-to-day management of the government of the day, and we applaud these efforts. However, every organization needs careful oversight. Accordingly, we believe a way to accomplish this objective is through an office of a provincial electricity auditor.

Secondly, the office of the auditor would certify the annual net benefit and/or net cost of government initiatives related directly to the supply of electricity and/or the reduction in demand for electricity. These would include the following: the efforts and programs of the chief conservation officer; the annual net benefit of the \$250 million being spent by local distribution companies to promote demand-side initiatives; the annual net cost of the smart meter initiative; the annual net cost of replacing coal-fired generating stations; the annual net cost of new electricity generated by alternative energy resources; and finally, the annual net cost of new electricity generated by renewable energy resources. It will be important for electricity consumers and for the government to know whether these initiatives are successful, and to know it from an independent body reporting to the Legislature.

Our second major recommendation concerns how to handle the costs of rebuilding Ontario's electricity sector. We are concerned that many of the costs associated with this bill, together with those of other initiatives that have been announced by the government, will by themselves have a significant impact on the cost and price of electricity. We would submit that if all these costs were put on to the rate base, there would not be the level of accountability, transparency and degree of control that is necessary as we work to rebuild this critical infrastructure and to restore public confidence in the system.

Accordingly, we recommend that the following costs remain outside the electricity rate base and be carried in the public accounts of the province of Ontario. These would include:

(1) All costs associated with the efforts and programs of the chief energy conservation officer that exceed the net benefit that results from those efforts and programs;

(2) All costs that exceed the net benefits of the \$250 million being spent on demand-side by the local distribution companies;

(3) All costs associated with the smart meter initiative that exceed the net benefit associated with them;

(4) The net costs of replacement electricity made necessary by eliminating coal-fired generation. If I can say a word or two on this point, there has been much debate, and there continues to be, surrounding whether these coal-fired generators should be shut down. Our message to the government and to this committee would be to proceed with caution. Last year's blackout, for example, cost the SME sector over \$2 billion in lost business. It goes without saying that replacement generation must be in place before any of these units are taken off-line.

To continue:

(5) The net costs of energy from alternative energy sources should and

(6) The net costs of energy generated by renewable energy sources.

All of these costs we would hope and expect to be certified by the office of the provincial electricity auditor.

What is the basis for this recommendation? There are three:

First, there is the need for transparency. For example, electricity consumers need to know whether or not each of the demand-side initiatives, particularly ones as expensive as the smart meter initiative, is actually having the desired impact.

Second, there is the need for accountability. If a particular demand-side initiative delivers a net reduction in the cost of electricity, there should be no impact to the provincial treasury. However, if a particular demand-side initiative causes a net increase in the cost of electricity, this cost should not be hidden in an electricity bill. The government is responsible for such initiatives and needs to be accountable for them. If they turn out not to have a positive impact, the government is the only party that can take the appropriate action.

Finally, the government needs this level of accountability, we would submit, as an impetus for sound decision-making. With competing interests for scarce public dollars, governments must be held to account for how they spend those dollars. Shifting costs on to the electricity rate base, where the real cost of government decisions can be hidden from public scrutiny, would further diminish the public's faith in Ontario's electricity sector.

As this committee continues its deliberations on Bill 100, we would implore you to give serious consideration to the proposals we have made today. If public confidence in the province's electricity system is to be restored, then no stone must be left unturned.

Thank you for giving us this opportunity to appear before you today. We would be pleased to take any questions you may have.

The Chair: Thank you very much for your presentation. We have about three minutes. The government side is up first in this rotation.

Mrs Cansfield: Thank you very much for your presentation and also, in the past, for coming and being a part of helping us develop this bill and the regulations.

I'm curious about the issue of the Provincial Auditor. Have you been to any of the Ontario Energy Board hearings at all?

Ms Andrew: Yes, we are certainly not johnny-come-latelies to this issue. We appeared the first time in the matter of 1994 rates. We found, as a fairly experienced business association such as ours, that the Ontario Energy Board was a very difficult place for anyone to appear before. I think it's impossible for the average Ontarian to appear there and to have any kind of an impact on rates.

Mrs Cansfield: Have you been there recently, Judith?

Ms Andrew: We've met with Mr Wetston. We don't appear as a matter of course before the energy board; it seems to have its ongoing process with a bevy of lawyers and consultants who make that their life's work. They are there on a constant basis on the hearings. The hearings are extraordinarily long and detailed. I guess the economics on regulation is always a challenge; it's not clear that the consumer is the winner in this, which is why we're looking for an additional level of scrutiny.

Mrs Cansfield: The reason I asked is because they're looking, for example, at the smart meters, and I thought that there's an opportunity for the transparency and accountability you were asking for. It's an opportunity for you, as well, to acknowledge the needs of your community.

The other question I have is around the issue of the ratepayer or the taxpayer in terms of smart meters. I'm curious as to why you feel that the taxpayer, as opposed to the ratepayer—and that makes it more accountable.

Ms Andrew: So much has happened in the electricity sector where different initiatives have been tried. There have been lots of mistakes made. There has been considerable largesse in terms of the spending in some quarters. None of that seems to come home to the ratepayer. It doesn't seem to get the same level of scrutiny as would, say, a provincial budget.

It's probably true that our members, as well as many Ontarians, are tired of going from crisis to crisis in the electricity sector. We know we're up against a major period when there are going to be huge monies invested, and it would seem appropriate to have as much scrutiny of that as possible and put the onus on the government to actually cost whether any of these initiatives are going to pay for themselves or cost more money. Electricity ratepayers generally don't understand that the DRC is the result of many years of mismanagement. They don't know the details behind that, but they would wish that somebody had done something before that debt amounted to the way it was.

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Mrs Cansfield: The last question is on the office of the provincial electricity auditor. Who do you think should pay for this office?

Ms Andrew: That's an interesting question. If the government is serious about taking up our suggestion on this one, we can certainly canvass our members on that. In the past, when we asked our members who should pay for the residual stranded debt, whether it should be

ratepayers or taxpayers, which in some respects is almost the same bunch of people, our members said that ratepayers should.

The Chair: Ms Wynne, a quick question, because I also want to work in Mr Arnott.

Ms Wynne: My question was about the office of the provincial electricity auditor. I was wondering why a new office, and if the Provincial Auditor could not do the same job.

Ms Andrew: Because all the major parties represented in the Legislature have had a crack at trying to fix our electricity issues, and because it is such an enormously important issue for small business, for the economy and for Ontario citizens, it ought to be a truly non-partisan issue, which means that if you have an officer of the Legislature who is going to report to all the elected members as opposed to the government of the day, then you've set it up in a truly non-partisan way, where all MPPs and all of us in Ontario are working to make the system work. It's just that important.

Mr Arnott: Thank you very much, Ms Andrew and your colleagues, for your presentation. As always, your ideas were helpful and constructive. I want to particularly express my own personal view that the idea of establishing an office of the provincial electricity auditor is superb. It's something we needed 30 years ago and we've needed every year since that time.

I would suggest that you're absolutely right that it should be an officer of the Legislature. I would suggest that the funding for such an office should come from the Legislative Assembly's budget so that that person is completely neutral and independent of the government of the day and can come out with an annual or twice-a-year report identifying areas where the electricity business across the province of Ontario could be improved, much like the Environmental Commissioner does. It would benefit the public interest in Ontario considerably if that were to be embraced by this government, and if not, hopefully the next one in three years' time.

The Chair: Thank you very much for a very thoughtful presentation today.

Ms Andrew: Thank you for the opportunity.

BILL WIGHTMAN
SCOTT BROWN

The Chair: I'd now like to call on Bill Wightman, please.

Mr Bill Wightman: Mr Chairman and members, I appreciate the opportunity to appear before you. We have intentionally not burdened you with papers except for a list of names of people with whom we've consulted and worked informally. Our hope is that we can offer some food for thought that may assist you in your work.

I'll say a word about the group of people. You'll notice that they have very different backgrounds and differing views on many aspects of the problems we face. Mr Brown and I have profoundly different political views, we support different political parties, but we are of

one mind in terms of the importance of the work of this committee. I think it rises well above our individual political considerations. We would go on to add that we hope that in every Legislature in this country, and at the federal level, our elected representatives will adopt a similar approach to the consideration of Ontario's energy problems, and Canada's; indeed, it's a worldwide issue. Only that way can we hope that courses of action that are decided upon will be based on reason and not on misconceptions, that they will be based on fact and not emotion.

I recently read a news item concerning the situation in Europe and predicting dire developments within the next decade as a consequence of global warming.

James Lovelock, who is revered among environmentalists as the founder of the Gaia theory, likens the world situation to that of an ocean liner approaching the edge of Niagara Falls. He says the engineer is trying to turn the thing around and get up enough steam to go upstream and avoid going over the falls, but he is failing. Some scientists who are also heavy hitters would disagree with Mr Lovelock, particularly as regards the imminence of disaster. Without commenting on that dispute, because neither Scott nor I would represent ourselves as being experts—and we certainly don't represent ourselves as being able to speak for all the people on that list. The people on that list, as far as I know, would not describe themselves as experts. But Scott and I at least are optimists. We think there is much that can be done. Being people of free will, as are all of you, we choose to be optimists. I do so simply because it's a happier way of living than being a pessimist.

There is one dramatic suggestion Lovelock makes that we'd like to come back to a little bit later and with which we agree. But first I'd like to ask my colleague Scott Brown to speak with you a bit about conservation, because we think it's an extremely important part of the bill.

Mr Scott Brown: Mr Wightman has mentioned that our interest in the generation of electricity began with research into large-scale wind generation. We were concerned, in the first instance, by the issues of rezoning to control the inclusion of large industrial wind farms in proximity to residential areas. Our research then led into alternative systems of generation and is that of laymen assessing the current state of technology in this area. It has led us to the conclusion that at this time there is no viable, reliable, cost-effective solution to the shortfall in production to be found in the alternative technologies. There are many possibilities that require further research and development. Development of these alternative sources should be left to private enterprise to be perfected and proven for the future. They must not be seen to play a part in our attempt to match production to demand today.

We also take a warning from other jurisdictions that have embraced alternative sources and that have discovered the cost is even greater than the increased cost of electricity. One reads in the Darmstadt Manifesto a

dire warning from over 100 eminent scholars that Germany has, with its installation of hundreds of large wind turbines, paid a very high social and aesthetic cost. They speak of the despoiling of vast areas of scenic countryside and the social disruption of many communities by the installation of ever-taller towers with ever-greater rotor sizes. I have a copy of the Darmstadt Manifesto, if the committee has not already seen one. We found this to be a very compelling warning.

But as an optimist, I should relate to you a very low-tech success story of how Robert Cluett, one of our study group members, achieved a 10% reduction each month of this year over the previous year in household consumption of electricity. This is a household that, by Robert's own admission, was and still is unconcerned about the volume or cost of use. The 10% saving was made by replacing 10 100-watt bulbs with compact fluorescents and by turning off two computers every evening after use.

Another effort by both Mr Wightman and me used the good offices of Hearthmakers Energy Cooperative for an EnerGuide for Houses assessment for our homes. Mr Wightman's home had just been extensively renovated and my home was only five years old, but we both thought that an outside opinion might help us increase comfort and reduce costs. The results for both homes were extensive lists of simple, inexpensive remedial actions to help cut down energy use while improving lifestyle. Both of us have implemented these recommendations at limited cost, and we will soon be re-measured at both houses to see how effective these modifications have been.

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Please note the involvement of each of the players in this drama. The federal government established the program and provided very limited funding. An NGO carried out local administration with low overhead. A private enterprise expert carried out the study and produced the report, which went directly to the homeowners, and then the homeowners took responsibility for remedial action—all of this at the homeowners' own expense. Only on a successful retest is a small grant given by the government, which in most cases amounts to about the cost of the original survey.

This model of change production really works. This leads me to my recommendations. To buy time for increased generating capacity to be brought on-line, whatever its source, conservation is the only short-term solution. This conservation needs to be widespread, immediate and it must be an effort embraced by a large percentage of users, both residential and business, to achieve the maximum effect. I submit, however, that the provincial government's role should be limited, as the federal government role was in the example I mentioned earlier—the role of facilitator rather than the role of implementer.

Mr Wightman and I about a month ago met with our mayor, Mayor Finnegan of Prince Edward county. Our suggestion was a county-wide conservation program

similar to those tried by a few other municipalities, largely west of Toronto. We suggested a goal of a 10% reduction across our beautiful county. It is our belief that to get an individual effort by a large group of people, the body making the request should be as close to the people as possible and, if possible, be non-governmental. We suggested that county council's role be that of an enthusiastic supporter and that the actual administration of the effort be entrusted to an existing NGO such as Hearthmakers Energy Cooperative. Our mayor was intrigued by the idea—quite excited, in fact—and with further urging will no doubt take the initiative to chair just the organizing meetings.

The provincial role in the kind of model that we suggested to you today would be that of a facilitator for these local initiatives. For instance, encourage municipalities to become involved in the way that best suits their constituents; provide information to municipalities on which to base their programs; serve as a clearinghouse for the success stories of each group's efforts; provide modest funds to the local organizations to help volunteers carry out the programs that will produce results; provide PST holidays for items such as compact fluorescent bulbs, set-back thermostats and smart meters for a limited time to encourage prompt action by local groups; and implement an off-peak rate for domestic users.

We suggest to Ms Cansfield that this kind of local initiative, with provincial assistance and encouragement, would bring about the kind of community co-operation that we saw in the summer of 2003 in Toronto. Those extraordinary times saw measures of up to 50% reduction by some users but required lifestyle changes. A more realistic goal, which could be sustained, might be 10%. If this could be achieved, the consumers would be immediately rewarded with lower hydro bills, the local organizing groups would have a valid *raison d'être* from which it could expand into other endeavours, the municipality would have a reason to celebrate its contribution, and the province would buy the time required to increase generating capacity.

I thank the committee for its patience in listening to an appeal that you've heard many times, but perhaps this Prince Edward perspective offers some new ideas.

The Chair: Thank you very much. We have about four minutes left. Mr Arnott isn't here. On rotation, I would go to Mr Kormos. Would you have a question, sir?

Mr Kormos: No, thank you, Chair.

The Chair: The government side.

Mrs Cansfield: I'm looking forward to rereading your copy so that I can pull up some of those suggestions and see how we can be of some support and service in those local initiatives. I think the suggestions you put forward are excellent in terms of the conservation types of initiatives that we can do locally.

Mr Wightman: Mr Chairman, though we hadn't burdened you with paper beforehand, we do have some material we'd like to file with you so that it would be available to the members of the committee. We'll do that afterwards, but—

The Chair: Do you have that with you now, sir? We'll ask the clerk to help us out here.

Mr Wightman: Yes. Including the bullet suggestions that we made to our mayor. If we can be of further assistance, we'd be happy to.

Mrs Cansfield: I appreciate that.

Ms Wynne: I just had a very quick question. In your look at Bill 100, are you encouraged by the presence of the conservation bureau? The kinds of initiatives you're talking about are the kinds of things that it will exist to promote.

Mr Wightman: We're here in no small part to say that we would like to see great emphasis put on it. We're aware that the legislative assistant to the minister has been given specific responsibility. We'd like to help in any way we can. We can't do much beyond these suggestions, but we'll do anything we can.

We've said the same thing to our mayor. We suggested that he turn to an agency or entity such as Hearthmakers or somebody else to coordinate and to give him a lead in it. We'll pitch in, as have with the Trash Bash, picking up stuff on the streets. But we'd just like to see you get the ball rolling.

Any program—and as legislators, you would know—is not going to succeed unless it has pretty widespread public support. It doesn't have to be unanimous, but it has to be pretty considerable, whether it's a law or program.

May I just say something about the differences of view that arise in this group of people and about Dr Lovelock? As I said, he is regarded as a guru in the UK, in no small part because he was responsible for one of the earliest wind farms in the UK, in Devon, which is where his home is. He now refers to that as "my biggest single mistake." He is a strong, strong advocate of nuclear. We find that there's considerable disagreement as to how much is going to be required in the future.

Among our group, the first name on the list, as a matter of fact, is that of Paul Adamthwaite. It happens that Paul did his doctoral studies under the same faculty leader as did Dr Lovelock, and at the same time. They know one another, and it's not surprising that Adamthwaite supports the Lovelock notion and what flows from the Gaia theory.

On the other hand, further down the list you will see the name Kent Hawkins. Hawkins does not agree with nuclear. Among physicists, I suppose he would be regarded as taking the soft approach; that is, decentralize the production of power and put a great emphasis on conservation. He would argue, as do many, that that should be our first step: buy time with as much conservation as we can possibly bring about and, while doing that, the role of senior levels of government would be to develop guidelines for installation and land use and alternative forms of energy.

We've been very encouraged by reading what's going on, notwithstanding Kyoto, in terms of renewable energy development—all manner of things: fuel cell technology; solid oxide in particular seems to be good; we heard

something today about coal that I hadn't heard before. But there is so much. The world has never run out of fuels, and it won't matter if we run out of oil; there will be substitutes. But we need to buy the time and we need to get behind the kind of responsibilities that you've been given.

The Chair: I have a question. Was it not a couple of years ago in Prince Edward county that there was an application to rezone some property for a wind farm?

Mr Wightman: Indeed.

The Chair: Did that get defeated?

Mr Wightman: Yes. The first application did get defeated. There was a further application, and, as Scott has mentioned, it was in connection with that that this group of ours got together and began studying the whole issue from our several points of view. In the course of that, notions about working on the demand side came about. As I say, none of us represent ourselves as experts in the field.

The Chair: Thank you very much, gentlemen. We appreciate your presentation.

Mr Wightman: You're very welcome.

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CUPE ONTARIO/CUPE LOCAL 1

The Chair: Next we have CUPE Ontario/CUPE Local 1, Mr O'Keefe and Mr Bruno Silano. Welcome, gentlemen. Just for Hansard, could you identify yourself, sir, if you're making the presentation?

Mr Brian O'Keefe: I'm Brian O'Keefe, secretary-treasurer of CUPE Ontario. On behalf of the 200,000 CUPE members across the province of Ontario, we thank you for the opportunity to provide our views on Bill 100. We represent several thousand members in this sector, in particular the workers at Toronto Hydro, which is the biggest municipal utility in Canada. I'm pleased to have here the president of that local, Bruno Silano, who will be making comments on the bill later on in this presentation. I also have John Camilleri from that local with us today as well.

Ontario's electricity policy is probably one of the most critical issues that the Liberal government is going to be facing. It has huge implications for the citizens of this province, for the economy, and it will provide a legacy for future generations.

Regrettably, the previous government messed up in this area and has created a disaster, from which we now have to find our way out. The challenge for the current government is to find a way of dealing with this issue. Unfortunately, we feel that the plan that has been provided by Premier McGuinty and Minister Duncan is not the way to go. The plan that we have before us is very much the same as what the Tories produced. It's a failed system and we don't think that undermining public power in this province and deregulating the sector is what's going to meet the challenge we have in front of us. In fact, it's going to make things even worse than what we've got already.

In order to provide safe, reliable, adequate and affordable energy in this province, we need to rebuild public power. There is no better way to ensure that we have adequate power in this province than to ensure that it's publicly delivered and publicly regulated. We feel that any other route on this is going to create an even bigger disaster than we have on our hands already.

If I may address the whole public-versus-private issue, the Minister of Energy and the Premier have stated that the hybrid system they're promoting is the best of all possible worlds: It's a composite of regulated market and competition, and this will give the best of all possible results. We don't think that's the case at all; in fact, exactly the reverse. It's not going to work. It is almost identical to what we have on our hands already. The statement has been made by the minister to the business community to get the private sector to invest in the system, but the reality is that unless the prices are exorbitant in the spot market, the private sector is not going to come forward. Quite clearly, they have stated already that in a partially deregulated market, it's going to take huge returns for them to take any sort of an interest as well, with the added fact that you will have fluctuating rates, which is another reason why they're going to give it a wide berth.

This is the reality of what we're dealing with. That investment for generation is not going to be forthcoming, so we're going to go to the fallback position, which is where bets are being hedged here. We're going to resort to the public power authority, which is going to be issuing fixed contracts. This is going to make a mockery out of the whole concept of the market. It's basically going to be a monopoly situation, where there are going to be huge contracts awarded to private sector operators. This is not going to be in the interests of the citizens of this province; it's going to be in the interests of shareholders and the big corporations. That is a huge concern to us.

Before I pass it on to Bruno Silano to talk about NAFTA and some other issues, I just want to emphasize one other factor as well. This is outlined in a brief that we are attaching to our submission from Steve Shrybman from Sack Goldblatt Mitchell around the lack of public scrutiny and review within those procurement contracts that will be forthcoming from the public power authority. That is a huge weakness in this particular piece of draft legislation.

With that, I'm going to pass it over to Bruno Silano.

Mr Bruno Silano: Thank you, Brian. I'm the president of CUPE Local 1, representing Toronto Hydro workers. I just want to address the committee on a couple of issues. The first is NAFTA.

Whether the hybrid plan works or not, significantly increasing private sector involvement in the electricity system will have the critical effect of exposing the electricity system to NAFTA and other international trade regulation rules. As other presenters have pointed out, NAFTA gives international corporations the authority to overrule our own laws and policies and the ability

to make huge financial claims against public funds, and puts public control at risk.

Several significant risks arise from privatizing electricity supply in light of Canada's obligations under the NAFTA and WTO agreements. The precise manner in which these trade disciplines will apply to a particular procurement agreement will depend upon the terms of that agreement and the nationality and character of the corporate entities involved.

Suffice to say, the important point is that the legal consequences of these procurement agreements cannot be assessed only having regard to Canadian contract law, but must have regard to international trade law as well. Of particular concern are the extraordinary rights and remedies enjoyed by foreign investors under NAFTA, which have no domestic legal analogue.

One way to illustrate this point is to consider that under section 25.30, "The parties to a procurement contract shall ensure that the contract provides a mechanism to resolve any disputes between them with respect to the contract."

However, under NAFTA, and no matter what the procurement contract may provide, a foreign investor will have the right to invoke international and binding arbitration to claim damages where it alleges that some action by the government, the OPA or the OEB, for that matter, has interfered with its rights as a foreign investor under the trade regime. Where such disputes arise, they will be resolved in accordance with the secretive norms of international commercial arbitration and international law, which offers significantly greater protection to property rights than we have deemed appropriate under our own Constitution.

The people of Ontario want a regulated public power system with democratic, public control.

A few words on rates: In all of these scenarios for increasing private generation and supply, prices will go up and up, more than they would have if we were rebuilding the public power system. The International Energy Agency has found a consistent pattern of cheaper power under publicly owned utilities—from 16% to 20% cheaper on average than private utilities—for a number of reasons. Both private companies and public utilities have to borrow money in order to build generating plants, but the cost of borrowing is higher for private utilities than for public ones. Investors are also looking for at least 15% profit, a cost that public utilities do not have to cover.

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Even the World Bank has acknowledged that privatization of electricity in a situation of high demand and short supply, such as we have here, by replacing coal plants, for example, is unsuitable because it can result in easy market manipulation by private sector generators and therefore lead to price gouging. Increases in the price of electricity are defended as "the true cost of power," as we've heard from both the Premier and the Minister of Energy, as if people haven't been paying for the power they use. The people of Ontario should only be asked to

pay the true cost of public power, but not additional costs of private power, private markets, private retailers, and commissions that those retailers will receive.

Electricity is a basic necessity, and universal access must be our goal. Essentially, this means we have to have a regulated market to spread the cost of electricity around as rationally and equitably as practicable.

A few words on local distribution utilities: We are pleased to see that the Electricity Restructuring Act includes a key role for local distribution companies, or LDCs, in conservation and energy efficiency programs. CUPE believes the best way to meet energy conservation targets is through publicly owned LDCs. In order to be successful with that aspect of Bill 100, the government will have to go further and remove any rules or regulations that discourage an LDC from or financially penalize an LDC for engaging in energy conservation efforts. We strongly recommend that local utilities be compensated for any savings resulting from their own investment and their customers' savings stemming from conservation initiatives. The government need only look at its natural gas regulations for examples. Electrical utilities should be treated in a similar manner, with rewards for conservation, funding provided to deliver conservation programs, and compensation for lost revenues.

Unfortunately, Bill 100 fails to address a central issue for LDCs. Under the former Tory government, local distribution companies were required to restructure themselves as for-profit corporations, weakening their public service mandate in favour of cost-cutting and revenue generation. Thus, spending to maintain performance and reliability takes a back seat to investment in system expansion and executive compensation. The Harris and Eves electricity policy also made it easier for LDCs to be privatized.

There is a strong case for amending Bill 100 to reverse the corporatization and privatization initiatives of the previous government. Thus, LDCs would be restored to their previous status as not-for-profit entities owned and controlled by the communities they serve.

Moreover, LDCs are now saddled with debt created entirely by government policy and not by their own initiatives. Faced with severe financial restrictions over the past few years, some municipalities have started to look at LDCs as revenue generators. Some have even started to sell off the debt, transforming it from virtual to real, in a form of back-door privatization. The Tories' Bill 210 contains a poison pill that requires each of these LDCs to pay off this virtual debt by 2012. LDCs have to be returned to non-profit status with a clear mandate of public service.

For these reasons, as is described more fully in the legal opinion we attach, we believe the following reforms to Bill 100 are required:

First, the provisions of section 29.1 should be clarified to make clear that transmitters and distributors must not only be empowered to provide services "related to the promotion of electricity conservation," but to provide

those services directly. Similarly, with respect to load management and alternative and renewable energy sources, the bill should be equally clear about the authority of local utilities not only to play a direct and indirect role in providing programs and services necessary to foster such initiatives, but also in establishing and operating such programs and facilities.

Second, the bill should also clearly indicate that LDCs may make investments in efficiency, conservation, demand and clean energy initiatives, whether these are solicited by the OPA or not.

Third, the bill needs to address important impediments that will continue to restrain the true potential for conservation, demand management and alternative generation. As CUPE and others have noted in submissions to the OEB, these models are well developed for gas utilities, but the OEB has declined to implement such a model for the electricity sector, and need for this critical reform is ignored by Bill 100 also.

Fourth, because local conservation and demand measures alleviate pressures on transmission and distribution systems and are much preferred environmentally, the rate regulation should offer preferred treatment for investments in reducing demand as opposed to enhancing supply.

Last, the bill should indicate that provincial conservation targets are to be regarded as a minimum and not caps.

Other forms of local generation: There is also a strong case for local utilities to play a much greater role in providing conventional generation at the local level. These would be small to mid-sized generation facilities that could be matched in scale and timing to the needs of the communities being served but which would have the added benefit of reducing demands on the provincial transmission grid.

I'll now hand it back to Brian O'Keefe. Thank you.

The Chair: Just to let you know, you're just about out of time, and if we could keep a minute for questions for Mr Kormos, maybe.

Mr O'Keefe: I just want to say that we've given you a detailed submission and we're not able to deal with all our points here. We would be very happy to entertain questions.

The Chair: Mr Kormos, you're up on this rotation. You have about a minute, sir.

Mr Kormos: Your references to NAFTA are very important, I believe. We heard from Wayne Samuelson of the Ontario Federation of Labour earlier today, expressing the same warnings. What does it mean in real terms about Ontarians being able to not just own, because we know we're relinquishing ownership, but to control electricity, including the price of electricity?

Mr O'Keefe: I think the very real and tangible example we can all look at is Highway 407. We've lost control of the rates, the tariffs charged by that consortium. We've seen that the provincial government is unable to stop it, and I suspect that even if the provincial government were to be able to stop it, they would resort

to some of these international trade laws in order to have that decision reversed.

So it's a very dangerous area when we open up our electricity sector to private-sector generation, in that those companies will not be restricted in what they charge us for electricity. As soon as we try to say, "Introduce a rate cap," they would very quickly, I suspect, revert to these international tribunals under NAFTA and the WTO to seek a remedy. We've seen this happen at the federal level, where UPS has, in fact, taken on Canada Post. They see Canada Post as being subsidized by the federal government. The awards are usually in the hundreds of millions of dollars that the public is then on the hook for.

The Chair: Gentlemen, thank you so much. We appreciate your presentation today.

FALCONBRIDGE

The Chair: Next, I would ask Lauri Gregg to come forward from Falconbridge, please.

Mr Lauri Gregg: Thank you, Mr Chairman, for giving Falconbridge the opportunity to present before the committee. I am Lauri Gregg, the director of energy for the company. I am also past chair of AMPCO and currently on the AMPCO board.

Increases in electricity prices or any changes in the electricity sector are a serious issue for the company, so it's important for us to be here and present. I've provided a PowerPoint presentation, which I've given to the clerk and which I'll refer to during my presentation. Falconbridge hasn't submitted a formal document, but we stand behind the detailed documents submitted by the Ontario Mining Association and also AMPCO as representing our detailed views.

In the presentation, there are three messages that I would like to give. First off, our Ontario facilities are very sensitive to increases in electricity price simply because, by our very nature, we are electricity-intensive. Second, on a global basis, electricity represents a competitive issue. Finally, we believe that the changes of Bill 100 can be implemented without substantial increases in electricity price.

Falconbridge is the third-largest producer of nickel in the world and the eleventh-largest producer of copper. In the presentation that I've handed out, there's a chart that looks like this. The red band represents Canadian production of our three commodities that we produce here in Ontario, which are nickel, copper and zinc. Our largest portion of production globally is 10%, which means that we face severe global competition. It also means that the price for those commodities is determined by the true laws of supply and demand, which means we're price takers. We can't pass on any increased expense to produce our product to our customers. This is unlike the situation for electricity utilities here in the province.

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In Ontario we have operations in Timmins—copper, zinc—and nickel operations in Sudbury. We employ

3,000 people. According to a survey carried out by the Ontario Mining Association, each one of those employees contributes, directly or indirectly, \$200,000 to the Ontario economy. We exist in northern communities, and our presence there is extremely important to the vitality of those communities.

We are large electricity consumers. We can consume as much as two million megawatt hours—two terawatt hours—per year. This is the amount of electricity it would take to power 200,000 to 250,000 homes. We're the second-largest direct-connect customer to the IMO grid. But the most important thing is that electricity represents a significant portion of our operating costs. For example, for mines it can be 10%; for smelters and refineries it can be as much as 25%. Over the years we've paid, on average, \$100 million per year for electricity.

I will now refer to a price comparison chart that has been developed by AMPCO. The key message there is that Ontario is one of the highest-priced jurisdictions in North America. We have direct competition from Inco, located in Manitoba, where electricity prices are some 57% lower than here in Ontario. We have alternative production facilities located in Quebec, where the prices are 21% lower than they are here in Ontario. For every \$1 a megawatt hour increase in electricity price, our cost goes up \$2 million annually. These kinds of significant increases can quickly erode our margins. If increases in electricity prices are substantial, it could jeopardize the viability of our operations in the province.

Electricity is also a key factor in our investment decisions. We're a global company. We have global facilities competing annually for capital. We invest where the return is the greatest. There are projects in Ontario that are competing for capital as well. With substantial increases in electricity, these projects could be marginalized.

One would think that with the current demand for metals and the current high metal prices, we can sustain increased electricity prices or increased natural gas prices. Well, that just simply isn't so. The reason is seen—and I'll refer you to this chart—on page 10 in the presentation. It's a price curve, in this case, for nickel. The message here is that metal prices are cyclic. Unfortunately the low part of the cycle lasts eight to 10 years, while the high portion of the cycle lasts two to three years or less. Right now we're into the second year of a high-price period. So in reality, we feel as a company that high electricity prices are not sustainable in the long term.

Let's turn to Bill 100, the potential changes and the cost of those changes. Again, AMPCO has developed a projection based on the changes suggested by Bill 100, and they came up with a price which is a bit horrifying: an increase of 53% by 2008. Admittedly, that's at higher gas prices, but even at moderate gas prices the increase is 30%. In my opinion these kinds of increases could have a staggering negative effect on all industry in the province, not just Falconbridge. The other reality is that we as residents here, as Ontarians, are going to have to pay these increases as well.

It's my belief—and I've listed the price adders on page 14 in the document—that the price impact of these price adders can be reduced by the following methods.

The most significant increase in price is going to be the increased cost of energy. The components there which add to that are the price of electricity generated by the heritage assets and the price in the contract market, which is currently driven by the two-tier rate structure and which now has a floor of \$55 per megawatt hour.

Let me speak to the heritage assets. This price is going to be determined by the OEB. Our suggestion is that it needs to be determined in a public, transparent hearing where all the costs of generation are brought forward, and then a fair price can be determined. It's my opinion that this price is not going to be much higher than the \$38 per megawatt hour that the MPMA or the business protection plan dictated.

As far as the contract market is concerned, my suggestion there is that the two-tier rate structure be restricted to low-volume consumers, pushing medium-volume consumers into the wholesale market.

Now let's talk about OPA administration charges. These can be balanced off by equivalent reductions in IMO administration charges and the elimination of whatever charges the OEFC makes at this point in time.

The conservation charge can be mitigated if the funds that are collected from industry are segregated for industry use and if effective energy efficiency programs are designed for industry. A point I want to make here is that energy efficiency should not be considered as a mitigating action for short-term increases in electricity price. Energy efficiency improvements, by their very nature, are incremental and long-term.

The NUG charge should be balanced by an equivalent reduction in the DRC.

The OPA capacity charge can be minimized by paying loads for demand response, by minimizing the amount of natural gas-fired generation in the mix and by optimizing the output from our current generating assets.

All in all we feel that the government can implement Bill 100 and need not increase the electricity price substantially.

Finally, I will say that we've invited Minister Duncan up to our facility in Timmins. We hope he takes us up on that offer. We believe it would be an important opportunity for him to speak to operators of an electricity-intensive facility and also to members of the community there.

With that, I conclude my remarks and will happily take any questions.

The Chair: We have about three minutes for questions. On this rotation we'll start with the government representatives.

Mrs Cansfield: That was an excellent presentation. I know you've had an opportunity to sit down with Marion and discuss this at great length.

One of the questions I have for you is about what I heard recently around a recovery process for—and let me know if I have the term wrong, Lauri—the sludge out of

the mines. It's a process to go back—it's almost like an anaerobic digester process to go in and recover the minerals, though. Are you looking at that? Again, that's another source.

The other question is around cogeneration. Can Falconbridge do anything around cogeneration?

1510

Mr Gregg: We're not doing the leaching of sludge. I suspect that Inco might be doing that.

Cogeneration is an interesting animal. Actually, we considered that back in the 1970s and also in the early 1990s, but because of the nature of our facilities we don't have a need for the steam that would make cogeneration effective. Even in 1995, when I last looked at that and the price of natural gas was a dollar a gigajoule, it was uneconomic for us. We only have one facility that that would serve, and that's the Timmins facility.

Mrs Cansfield: There's just the one. Isn't that interesting? Because it's something that's certainly—I can't speak to North America in my reading as much as I can in Europe, but a lot of the mines in Europe are looking at that, and some have actually gone that route.

Mr Gregg: It depends on whether or not you can use steam or hot water in your process.

Mrs Cansfield: Can you use anything other than you currently use, which is the electricity?

Mr Gregg: For our process, no.

The Chair: Anything else? Mr Arnott.

Mr Arnott: I just want to thank you very much for your presentation. I too hope that the Minister of Energy will take you up on your offer to come up to Timmins to participate in a tour. If you don't, according to the *Toronto Sun* anyway, if you have \$5,000, you can play golf with him sometime. You may have seen that. If you haven't, I can send it over to you.

The Liberals hold a substantial number of seats in northern Ontario. You've expressed very well the economic impact that a huge increase in hydro prices will have on Falconbridge in your operations, and we heard today from a company that represents the pulp and paper industry in Thunder Bay. I would just suggest to you that you reach out to those local MPPs whose job it is to represent the interests of the north—they've been elected to represent those constituencies—and to aggressively lobby them about the impact of these changes you're concerned about and seek answers from them, because I think you're entitled to them. I think we have to be very sensitive to not only your company's interests but your industry's interests if we're going to maintain jobs and an economic structure in the north. So I would commend you to that and wish you well as you pursue those MPPs in the north who sit with the Liberal caucus.

Mr Gregg: Thank you.

The Chair: Mrs Cansfield? Quickly.

Mrs Cansfield: I just wanted a quick point of order, some clarification. In fact we did present to both of the opposition parties an opportunity to participate in 15 different areas of this province. We were supposed to go to Sudbury, and it was cancelled. It's not to say that our

heart isn't here with you. We understand your issues. I know you have Minister Bartolucci, who is keenly interested in what's happening in the north—

Mr Gregg: Yes. He's been talking to us a great deal.

Mrs Cansfield: Absolutely, and you've been in our office many times. So certainly it's not from this side of the House that you're getting opposition to finding solutions to your problems.

The Chair: Thank you very much, Mr Gregg. We certainly appreciate your presentation today.

Mr Gregg: Thank you very much.

DEREK PAUL

The Chair: I now ask Derek Paul to come forward, please. Welcome, sir.

Dr Derek Paul: Thank you very much indeed. I asked the clerk to circulate a brief. I hope that has been done and that you have it.

The Chair: Yes. The clerk has circulated the materials, sir.

Dr Paul: My brief deals only with one aspect. We've heard a great deal about conservation—I've certainly heard the minister talk about the importance of conservation—but I don't think anybody has yet emphasized the fact that it doesn't usually just happen. If you want to have a conservator society when two successive generations of people have been brought up without any sense of conservation whatever, it's a much more difficult thing to bring about than you would think.

If you look at page 2 of my brief, you will see a number of points with little circles around them, going from the year 1985 to the year 2003. Those points represent, on a logarithmic scale, which goes up the left, the actual consumption of electricity by Ontario from 1985 to 2003. As you can see on the graph, it was pretty steeply upward in the 1980s. It then declined very slightly—it was almost level for a while—and over the last 11 years it has averaged about a 1.5% increase per annum. During the last three years, it has, according to Mr Duncan—and I agree with this, because it agrees with these figures—averaged almost 2% per annum. So it's a little bit steeper now than it was five years ago.

In 1993, MacNeill and Runnalls published a report in which they pointed out that in Ontario we could easily economize 30% in our electrical consumption. At the 1992 mark—because of course they used data from 1992 and before—I've put a big "X" 30% below the actual consumption for that year. Then I've assumed, just hypothetically, "Suppose we could have got down to that level?" Then of course we would have increasing consumption if we didn't change our habits, because of the population increase. So the line you see on that graph corresponds to the MacNeill and Runnalls economy society in which the population nevertheless is still going up very slightly.

The reason I'm here today is because I feel that this committee could play an important role in bringing Ontario electricity customers, one way or another, down

from the line we are on now, which is at a slope of nearly a 2% per annum increase, to the lower one of MacNeill and Runnalls, and that it could do it in a very few years. But I don't think this is going to happen accidentally. I think it's going to happen if there's a great deal of education, persuasion, incentives to economize and disincentives to waste. I think those four factors have to be in there.

I've got three recommendations, which I won't read you. The first one has already partly been adopted, because we have in Ontario now this conservation, energy efficiency and renewables branch. The next two recommendations are goals that I think should be followed.

The fourth recommendation is different in kind. It's the following: In modern society, practically everything we do impinges on everything else we do. It would be quite possible for the minister to say, "Ah, yes. We can economize a great deal in energy if we do this and this and this," only to discover that that's the purview of the housing minister or the minister of transport or something else. So we need a supervisory committee or a superministry in Ontario that can make sure that things happen across the board and that they're not just restricted to the particular considerations that at the present time the Minister of Energy has the right to make decisions on.

My last recommendation is that the government should set up a round table to consider measures that would have the effect of reducing Ontario's electrical consumption. That sounds the same as the ministry's conservation, energy efficiency and renewables branch, but it isn't. The concept is that that branch should open discussions to the public in some way. I have a letter here, which I received this afternoon, from Mr Duncan. He obviously didn't dislike that idea, and he says that Mr Gregor Robinson of the ministry's conservation, energy efficiency and renewables branch would be pleased to meet with me and discuss that particular proposal. I think that if this committee would give a bit of a push to that idea, it might help.

1520

I lived part of my life in Europe. I know a great many people in this province, and I know that most of them are profligate wasters of energy. I personally believe, if you go back to page 2 of my report, that we could economize more than 30%, which is why I've drawn the curly bits of that graph the particular way I did.

Finally, there are two final sections in my brief, one of which is called "Replacing electrical generation from coal." I do not want to get into technical matters, but I did want to present three questions before this committee that some of you, some new members of Parliament or even old members of Parliament who have been in before, might not know about.

The first is on the back of my report, and it is the standard objections to nuclear energy which have never been answered. The second is about hydroelectric dams and the harm that many of them do. The third is a general question about how myths are built up in government and

that those myths enable us to go forward and do the things that we then do afterwards.

The unfortunate thing about myths in the present time is that we are moving into a very difficult century, and I think that myths constructed in the 20th century need to be looked at very hard as to whether they have a basis in truth. So I've said a little bit about myths, and I hope you will take it seriously because I have quite a bit of experience in dealing with Ottawa and not nearly as much, I regret to say, with Ontario, where maybe the myths aren't quite so entrenched.

I hope I've got some time left. Is there any?

The Chair: Yes, about four minutes, sir.

Dr Paul: Please ask me questions.

The Chair: Absolutely. In this rotation, Mr Arnott is first.

Mr Arnott: Thank you very much, Dr Paul, for your thoughtful presentation. I've long admired the work of the Pugwash Group, and you're a big part of that organization. You deserve credit for that. Your ongoing work there is sincerely appreciated by a lot of people.

Dr Paul: I've been in it 28 years.

Mr Arnott: Almost since its inception.

There was a presentation earlier this afternoon from the Canadian Federation of Independent Business. I know you've been here for a while; I don't know if you heard it. But it was suggested that the government—the Legislature, really—should have an office of the provincial electricity auditor, an independent officer of the Legislature. I was just thinking that it's very similar to what you're suggesting, in a sense, when you say in one of your recommendations that there needs to be—

Dr Paul: Number 5?

Mr Arnott: Maybe it's 5.

Dr Paul: Possibly. It's a little different. I like the idea, but I think it's slightly different.

Mr Arnott: No, I'm sorry. I was thinking of recommendation 4: a supervisory committee or a superministry to oversee the related questions pertaining to consumption, generation, town planning and so forth. I was thinking that that could be part of the mandate, in theory, of an electricity auditor, could it not?

Dr Paul: Well, I know that there have been committees in the Ontario government which span several ministries. The question always is, do they have enough clout? This one needs to have clout.

Mr Arnott: I guess the big issue that comes up from time to time with a lot of presenters—it doesn't matter what their perspective or their orientation or their philosophy is with respect to this issue—is that quite often governments plan on a four-year cycle, and they should be thinking long-term with respect to hydro issues: 20 years. My experience around here has been that quite often governments get trapped into what's actually a three-and-a-half-year cycle, where they try to put through their initiatives and their agenda in about a three-and-a-half-year period, and then they're ramping up for the election, if there's a majority government.

I see that to some degree as a failure of the individuals who are in the government. Certainly we've got to apply our thinking long-term with respect to this issue and not just get caught up in the short-term electoral cycle. Obviously that's something that's on our minds to some degree, but surely we should be thinking about the public interest over the long term to a greater degree. I think that's consistent with what you're saying here.

Dr Paul: It would be very nice if we could get all-party agreement on some issues. The problem is that the interests of some citizens actually conflict with those of others. I was listening to the man from Falconbridge, and I realized that what I'm recommending is more or less irrelevant to his concerns, except for the pricing. There we would be in conflict but, then, I have other ways that I think that can be dealt with. However, we can't get into that now.

Mr Ramal: Thank you for your presentation. I was listening carefully to it. It doesn't conflict with our approach, unless you have seen different things from Bill 100 that you want to add or advise us to do, besides asking the public to participate in monitoring the whole electricity system.

Dr Paul: I think that if you don't get them to participate, the economy factors won't happen, or they will happen very minimally. Although I said that governments don't like to play with human habits, my wife pointed out to me that, since I came to Canada 51 years ago, people have learned to pick up their dog shit when they go for walks in parks, so people are capable of learning new things. But as she said, 51 years ago people would have been horrified if you'd asked them to do that, and now they're all doing it. So it is possible to change human habits.

In electricity, we are very, very wasteful. I can give many examples.

The Chair: Ms Wynne, did you quickly have a question?

Ms Wynne: Yes, I just had a quick question. You've suggested a supervisory committee or a superministry and a round table. I'm just looking at the structures that we've suggested in the bill—the conservation bureau and a number of advisory committees. Could you just comment on the relationship between what you're suggesting and what we have put in the bill?

Dr Paul: Not really, but I can comment on the supervisory committee. It happens quite often in government that one ministry does something very good, but it can't force it on another one. I could give you examples of that on the climate change. NRCan had some initiatives which it couldn't force other departments of government to adopt. If it had been able to, it would have meant a very great deal of savings on heating federal buildings, but they weren't able to swing that.

I can imagine ways right now. For example, one of the things I would like to see is that all hot water heating in new neighbourhoods in Ontario would be solar. But you need other ministers to agree to that. Your supervisory committee, the one I'm envisaging—and I don't know

how to set it up—would have the clout to say, "Oh, yes, we've got to go that way."

Ms Wynne: Well, I just wanted to let you know that in the conservation action team that Ms Cansfield leads, we have had these conversations about how to make those interconnections. We talked, for example, about the Tenant Protection Act that is being reviewed at the moment and the need for there to be some sort of provision in there. Now, whether there will be or not, I don't know, but that kind of interconnection.

So I really appreciate your comment, and I know that we'll be taking that back to the minister.

The Chair: Professor Paul, thank you very much for your presentation today.

Mrs Cansfield: Chair, is it possible for us to get a copy of the Energy Strategy for Ontario that was submitted by Dr Paul on Bill 35 committee hearings?

Dr Paul: I have one here, if you want it.

The Chair: We'll make sure sufficient copies are provided.

Dr Paul: I only brought two, and the clerk has one. It's probably terribly out of date, but I did quote it. So here it is. I haven't even reread it. I know that it was good at the time, but I'm not vouching for it now.

The Chair: Thanks again, Professor Paul.

CANADIAN AUTO WORKERS

The Chair: I'd now ask Mr Nick De Carlo of the Canadian Auto Workers to come forward. If you'd like to proceed, sir.

Mr Nick De Carlo: Thank you. I'll just wait a minute until the people get copies, or shall I go ahead?

The Chair: You go ahead, sir.

Mr De Carlo: The CAW is the country's largest private sector labour union. We represent approximately 180,000 members in Ontario working in every sector of the economy. Our members work across a wide range of Canadian services and industries, including auto assembly, independent auto parts, aerospace, electrical, food and beverage, hotel, restaurant, gaming and general hospitality, specialty vehicles, airlines, railways, marine transportation, trucking, public transit and other road transportation, mining and smelting, fisheries, health care and general services. So we cover a pretty broad cross-section of the economy.

1530

We're here today because of our conviction that electricity is of central importance to the livelihood and well-being of the people of Ontario, the functioning of the economy and the protection of the environment today and into the future. A brief outline of our views follows.

Bill 100 proposes some important improvements for the generation and supply of electricity in this province. It is significant and important that the new electricity legislation proposes to reintroduce planning into the system. It is also important that the act gives a legislative mandate to promote conservation and the expansion of renewable energy. These are positive steps.

However, we have concerns regarding the following issues: the minimization of the role of the public sector in the production of electricity; the related issues of supply and pricing; the need for still greater emphasis on conservation as the key to the issue of electricity supply and price control; the need for greater provisions for the expansion of renewable electricity; the need for protection of consumers against exorbitant price increases; and, certain decisions regarding electricity production.

(1) Based on these concerns, we propose that schedule A, amendments to the Electricity Act, should include in its purpose ensuring the public control and provision of electricity, and ensuring the protection of public health and the environment.

(2) Part II.1, which is the Ontario Power Authority, schedule B, amendments to the Ontario Energy Board Act, and part II.2, the management of electricity supply capacity and demand, should include provisions empowering and mandating the OPA to be the main producer and seller of electricity in Ontario; requiring and mandating the OPA to make conservation the cornerstone of addressing supply issues; requiring and mandating the OPA to invest in and produce a significant increase in renewable energy and promote the use of renewable energy, thereby reducing the cost by economies of scale, while at the same time allowing for small producers of renewable energy to flourish; requiring and mandating the OPA to move away, in a timely manner and in a manner which ensures adequate supply, from current methods of electricity production that are environmentally destructive and unsustainable; ensuring universal access to adequate energy as a basic necessity and right; and requiring mandatory public hearings regarding pricing changes.

(3) The Electricity Restructuring Act should be reviewed and amended to reflect and facilitate these provisions. I haven't tried to go through, in detail, the ramifications throughout the act.

Public control and production of electricity: Though there is a need for specific measures to ensure that people and businesses that implement renewable and/or certain energy-efficient solutions can provide the benefits and extra power to the public grid, the main source of power has to be public. This is in order to ensure adequate supplies that cannot be hijacked or undermined by private interests; to minimize costs—the public can produce cheaper power than private, market-oriented producers; and to ensure that renewable energy is a paramount goal. It is important that significant public investment in renewable energy can reduce the cost of renewable energy alternatives and develop jobs, thus providing more labour-intensive alternatives for the workers currently employed in the nuclear and coal-generating electrical industries.

Conservation is the key. The reduction of energy consumption is the key to resolving the environmental challenge of global warming and to maintaining low-cost electricity. A study conducted by the Pembina Institute—and I know others have referred to this study—in asso-

ciation with the Canadian Environmental Law Association, showed that Ontario can cut power consumption by 40% by 2020, and do so affordably: \$18 billion invested in conservation does the same job as \$32 billion spent on nuclear, and there is no need to pay for fuel or retubing while consumers make 96% of the investment back through lower bills. What better solution both in terms of the cost of electricity and the protection of the environment? Yet we don't see this approach being given serious or clear and concerted attention in the proposed legislation. Though this type of program cannot be implemented overnight, careful planning, political commitment and sufficient effort can ensure that conservation, at low long-term cost, will benefit the environment and the economy.

Electricity, jobs and the economy: Significant investment in conservation, with new safe and renewable supply, will give an impetus to job creation, stimulate the economy and provide the energy supply that will keep industry functioning in our province.

Human health and the protection of the environment are essential. It is clear that the generation of air pollutants, dangerous wastes and greenhouse gases is threatening human health and the environmental balance. Eliminating coal generation and nuclear generation of electricity, while it has to be carefully planned and implemented to ensure that the required supply is available, must proceed in order to save lives and protect the future. These should be goals of the current legislation.

Universal access to electricity is a right. Because electricity is the fundamental energy that keeps individual households and the general workings of society functioning, it is and must be a fundamental right of all residents of Ontario to have access to low-cost electricity. Universal access is essential to ensure that our citizens have a decent standard of living. Public production of electricity is essential to ensuring universal access. Because public production minimizes costs, it can be used to ensure that pricing reflects costs. This is a better alternative than pricing based on market prices—market prices may be influenced by many different external factors. We also agree with others who have said that low-income consumers, especially tenants, must have access to the conservation programs that will sustainably reduce their bills.

Public hearings mandatory: The proposed act makes public hearings optional. This is not good enough. Accountability of government and of a public electricity system can only be ensured with transparency and the means for the public to have input.

I would just add by way of comment that we clearly agree with the arguments made around NAFTA. I think they're self-evident. I don't even think it requires much elaboration, given the history and given the arguments made in all kinds of other areas of the economy around this issue.

I'd just urge the government of the day to very seriously consider the direction that you're going in and what

that means to the future of the province, what it means to the future of people in the province, and to maintain public control over our future. If you have any questions, I'd be pleased.

The Chair: Thank you very much, Mr De Carlo. We have about four minutes. On this rotation we'd go to Mr Kormos, who isn't here. We'll go to Mrs Cansfield, the parliamentary assistant.

Mrs Cansfield: Thank you for your presentation. It was very thoughtful and gives me a lot of things to think about. I'm curious about the production of alternative energy. Are you suggesting—and I won't use the word because it tends to suggest a tax issue—a fixed-price contract for alternative energy, in particular wind?

Mr De Carlo: What I'm suggesting is that if the public invests heavily in wind and solar production, for example, it will help reduce the cost. Because of the economies of scale, it will actually spur homegrown industry that can build the supplies we need and it will stimulate the economy.

Mrs Cansfield: Actually, one of our other presenters has suggested there needed to be a mechanism whereby the individual or parties could participate in some sort of forum for renewable energy. Are you also suggesting that maybe you could tick off on your bill that you might like to participate in a renewable source of energy and pay an additional cent or something toward that?

Mr De Carlo: No, I'm not suggesting that. I think the government, representing the public, can actually play a major role in bringing that about. It doesn't require a survey or saying that you would like to participate etc. It simply means providing the alternatives. I think the support is out there. I don't think you need to find it out; I think it's clear. If people have the option, the real problem is to make sure it develops and that the prices are at the achievable level where people can actually afford it.

Mrs Cansfield: How would you propose that the government do that?

Mr De Carlo: By building wind farms, by investing in solar, by creating the major part of renewable energy alternatives through the public corporation.

Mrs Cansfield: So you want the government to be the supplier?

Mr De Carlo: Yes.

Mrs Cansfield: Thank you.

The Chair: Any further questions?

Mr Arnott: Thanks for coming in today and offering us your views on this. One of the issues that has come up quite consistently is the government's commitment to eliminate its coal-fired generation by the year 2007. I think, while all of us are concerned about air quality and the environment—we want to make sure that it's as clean as possible, and the goal of eliminating the dirty coal generation is something that's shared by all of us—we're concerned perhaps about the practicality of it, whether or not it can be done, and whether it can be done responsibly in three years and replace the generating capacity that is going to be lost, apparently 25% of the generating capacity of the province.

The Power Workers' Union has expressed very serious reservations about this policy and believes that the government is going on the wrong track. Would you care to comment on the views of the CAW on this issue? Would you share the views of the Power Workers' Union and be supportive of their concerns?

1540

Mr De Carlo: Our view is that the supply has to be there in order to eliminate the coal generation. But I think that's self-evident that you can't get rid of 25% of the supply without there being an alternative, so the problem is how quickly to build the alternative. My suggestion would be that if the public is involved through government, it can move more quickly toward that goal, and that's the objective. I can't tell you whether 2007 is going to work or not; that's up to the government to do. But the sooner the better.

Mr Arnott: I agree with you that it's certainly reasonable that supply would be there to replace it, or a combination of conservation measures or what have you, but we don't want to allow the lights to be turned off because of an irresponsible promise. At the same time, I'm not sure the government shares that view. It should be self-evident. I believe it's common sense, but I'm not sure the government—

Mr De Carlo: I can't imagine that in 2007 they're going to turn off 25% of the electricity generation if they don't have an alternative. I can't see that happening.

Mr Arnott: It'll be another broken promise.

Mr De Carlo: I'm not worried about broken promises; I'm worried about the future of electricity in the province.

Mr Arnott: It's our job as an opposition to hold the government to account, and to the extent that governments get away with broken promises, cynicism grows and politicians will feel that it's necessary to make irresponsible promises that aren't sincere at election time because you have to do that. I'd hate to see that happen further.

Mr De Carlo: They're not the only people who've broken their promises, first of all. Secondly, a broken promise is an abstract concept. You could promise to do it by 2007 and actually successfully achieve it by 2006, in which case you'd be breaking your promise.

Our concern is that we actually invest in the alternatives so that we can eliminate the coal generation and that we practically achieve it. My concern about the bill is that it doesn't move dramatically enough in that direction.

The Chair: Thank you very much, Mr De Carlo.

TERRY HOWES
SLAVA GOLOD

The Chair: Next, Terry Howes, please.

Mr Terry Howes: With the permission of the Chair, I prefer to stand when I speak.

The Chair: That's not a problem at all.

Mr Terry Howes: I've taken the liberty of bringing along some samples of what I'm going to talk about,

because most people wouldn't be aware of what the stuff looks like. So I'm going to pass this around, if I might. This is raw peat. We've got more peat in this great province of ours than Saudi Arabia has oil, or that Alberta has in the tar sands. All we have to do is use our heads, and use it.

We're all painfully aware that it's the government's policy in the next very few years to close down our coal-fired plants because they're polluting like crazy. Something's got to be done about it, and we can't question that. The solution, ladies and gentlemen, is right under our very noses. By simply mixing with coal on a ratio of two parts of coal to one part of peat, we can cut down the pollution until it's below the threshold of where it's a problem to anybody. We could do even better if we make it 50-50.

This is a gigantic resource we've got, ladies and gentlemen. We're completely ignoring it. I brought with me today a gentleman by the name of Slava Golod, who is an absolute, unquestioned expert on this topic. He studied at Minsk university in Russia and ran a huge plant that burned peat in Latvia. He's an unquestioned expert on it. He will tell you that he cannot understand how we're ignoring this huge resource when all we've got to do is dig it up. It's about 12 feet down. As you know, it's simply decomposed vegetable matter. That's all it is, and it's about 12 feet deep. God knows we've got enough muskeg in this province—loads of it, no end of it. Anyway, we've got to dig it up, squeeze the water out of it and burn it, and that's all there is to it. It is not rocket science. It's done all over the world: in Russia, in Finland, in Ireland and elsewhere—and Germany too. Why aren't we doing it? I don't know the reasons for that.

Back in 1981, the government of the day authorized a report on peat. This report has been completely ignored all these years, but you can find it just downstairs in the library here. This report says exactly the point I'm trying to make to you. For example, it says in one of its conclusions that the direct combustion of peat in thermal and electrical energy production relies on well-established technology, which is applied in the USSR, Ireland and Finland. They've been doing it for years and years, and why aren't we, particularly now? Let's face it: We're in one big fix. That's the point I'm trying to make to you.

I would like any questions you might have to be directed to Mr Golod here, who is a world expert on this topic. I'm not a technical person. I'm just an ordinary businessman, but he is a technical guy and he'll answer any questions you might have. He cannot understand why we don't use this gigantic resource which we've got more of than anyone else in the whole world. Please ask him any questions you might have.

The Chair: Thank you, Mr Howes.

Sir, your name is?

Mr Slava Golod: Slava. S-L-A-V-A.

The Chair: Are there any questions? Yes Mrs Cansfield, the parliamentary assistant.

Mrs Cansfield: Slava, maybe you could help all of us understand how this process actually works, what type of

infrastructure it needs to work and, on a comparison basis, does it emit the SO_x, the NO_x, and the CO₂ issues? It must deal with CO₂. If you could just sort of give us an overview, it would be helpful.

Mr Golod: Yes, sure. First of all, I would like to explain a little bit what peat is. Peat is decomposed vegetation, or you can call it the first stage of coal. It's young, young coal, and it's a carbonized product. It has about 50% to 60% carbon. In its natural state it has also 90% water. You can't use it at 90% water, so in order to be able to use it, you have to dewater it to 50%, as is being done in Ireland, Finland and Russia. We developed a product that's 10% moisture, and in this stage it can replace coal. Basically, you can burn it instead of coal in present plants with very minor adjustments, and this is being done in Finland.

I just attended the international peat conference in Finland two months ago. They just recently opened the first plant in Finland, and they produce this stuff and use it. Actually, in Sweden, peat has a green certificate, so they call it renewable energy.

It reduces pollution, because peat has much less sulphur and mercury content. It has virtually no mercury at all. While you burn it, it does release some CO₂, because a natural bog acts as a carbon sink.

What else does it do? A natural bog releases methane, which is a much stronger greenhouse gas. So by harvesting peat land, you reduce this amount of methane and you release some CO₂. But at this time it's very difficult to calculate exactly the amount of methane. We are working on it now.

Mrs Cansfield: Are you doing some sort of study or what they call a benchmark or whatever it is, a pilot?

Mr Golod: Yes. Actually, I've just been recently employed with a company called Peat Resources. It's here in Toronto, and they renewed their project. They started back in the 1980s and early 1990s, but back then, because other sources of energy were so cheap, no one was worried.

Mrs Cansfield: Can you use it in existing coal plants?

Mr Golod: Yes, it can be used, with minor adjustments.

Mrs Cansfield: With minor adjustments. Thank you.
1550

The Chair: Ms Wynne, and then Mr Ramal.

Ms Wynne: You used the word "harvesting" peat. What's the cycle of production?

Mr Golod: The first stage would be, again, what's being done in Europe. They use the dry harvesting method. They make the ditches, they dry it and they harvest it. They can do it only a couple of months per year, usually in June, July and August. It is being done in some parts of Canada like New Brunswick and a couple of countries—

Ms Wynne: But then how long does it take to regenerate? That's what I'm asking.

Mr Golod: To regenerate, it takes about 10,000 years.

Ms Wynne: There you go: 10,000 years.

Mr Golod: But you can see it being regenerated, because it takes only one to five years to re-establish live vegetation and the bog starts to grow again. After harvesting is ceased—

Ms Wynne: But you don't get more peat for 10,000 years.

Mr Golod: No. But you return this place to its original state, and it acts as a carbon sink and it filters water.

Mr Ramal: What's the cost factor, the effect of this whole project?

Mr Golod: The company identified back when they did this study that it was \$1.60 per gigajoule.

Mr Ramal: How much energy is produced?

Mr Golod: Its energy content is much more than wood but less than coal. It's about 9,000 BTUs per pound or 5,000 kilocalories. It's more energy efficient than lignite but less than hard coal.

Mr Howes: Could I bring to the attention of the committee page 4 of our little folder here, in which you'll see two huge coal-burning plants in Thunder Bay and Atikokan. Between Thunder Bay and Atikokan, there's a great big bog called the Goodfellow bog. The peat I passed around came from that bog. It's an easy drive to both Atikokan and Thunder Bay. Simply by adding this peat to their fuel mix, we can bring below the threshold the pollutants from those plants and keep using them. God knows we need them. One quarter of our power comes from coal-fired plants. We can't afford to do without them, and we don't have to. That's the point I'm respectfully trying to make to you guys. He knows what he's talking about.

The Chair: Mr Arnott, quickly, do you have a question?

Mr Arnott: No, I don't, but thank you very much for your presentation.

The Chair: Thank you very much for your presentation.

POWER UP RENEWABLE ENERGY

The Chair: Next I would ask Power Up Renewable Energy and Mr Kotwas, the director, to come forward, please.

Mr Chris Kotwas: Good afternoon. Thank you for this opportunity to make our presentation. My name is Chris Kotwas. I am a project manager in the electrical industry. My partner is Matthew Fairlie, former chief technical officer with Stuart Energy. We are both acting directors of a newly formed co-operative, Power Up Renewable Energy, known as PURE, located in Dufferin county, one hour north of Toronto, in the beautiful hills of Mulmur. This just happens to be the highest point in southern Ontario.

We are here to represent our members as well as many others in our community and, I'm sure, other communities throughout Ontario. Please be aware that there's an overwhelming interest from people wanting to

participate in the energy market at both the individual and community levels.

At our first general meeting with approximately 200 attendees in the small town of Shelburne, most people's questions were directed at becoming self-sufficient. Our advice to everyone has always been to look at all the possible conservation strategies first before considering investing in any renewable energy systems. Conservation education has always been PURE's first priority. I believe, however, that there is enormous opportunity in combining both.

Allowing the community to participate in renewable energy projects will be the single largest driving force in achieving our first objective of helping to create a conservation culture. By allowing people to produce their own power, they are now in the business for themselves. By being engaged in this process, they will learn the difficulties and, with this committee's help, reap some of the rewards of this process. They will be far less willing to waste this necessary commodity in our society called electricity. Having community renewable energy projects start to permeate the landscape of both rural and urban areas will be a constant reminder of the values Canadians put on this commodity.

Please let me allow Matthew, who is heading up our education initiative, to tell you more about Power Up Renewable Energy and how the people in Ontario and Bill 100 can work together for all to benefit.

Mr Matthew Fairlie: Thank you, Chris. I'd like to also thank the committee for this opportunity to present our view of Ontario's energy future and our comments on Bill 100.

To begin with, what is PURE? Here, I'm not just talking about virtue but also about energy and the energy co-operative that we've formed in Dufferin county. It was created about the time of the release of the Electricity Conservation and Supply Task Force report following the power eclipse we had last summer. We call it an eclipse because there was very little we could do to change the motion of the celestial utilities. I would mention that some of us were in the dark longer than others. It took quite a long time for our community to come back on-line.

PURE is a community action to address concerns of a growing group of our residents with regard to where we're going in energy supply and services, and the threats and opportunities we see in our energy future. The threats have already been voiced with concerns about the choices the province must make. The opportunities, of course, are that we can participate in this future to achieve our community goals, and we believe that renewable energy and conservation can go a long way to getting us there.

Power Up Renewable Energy is a non-profit organization of about 150 members, incorporated at the beginning of this year. Our vision is a secure, sustainable community-based energy system which enhances the quality of life in our community and is in line with the values we place on environment and social responsibility.

Our mission is to make this happen, not in a direct way by building power plants, but to encourage the development through the influence of our membership and its purchasing power and its ability to enable developers and businesses inside and outside the community to make this happen, based on the belief that there is a value proposition for sustainable energy even today, but also recognizing that building this value proposition beyond the membership of PURE to the community as a whole is a long process.

At the top of our list is community awareness and education: further down, providing support for market design changes that will reduce barriers and support the value proposition for renewable energy and conservation, leading to support of renewable power generation initiatives, both home power and community-based.

I would remind the committee that Dufferin county is some of the highest ground in the province, an appropriate domain for PURE, you might say, and has good wind and micro-hydro potential. Through these actions, we hope to create a core stakeholder group for sustainable energy in Dufferin county.

With regard to the legislation proposed, we have read the submission of OSEA and others and are in general agreement about the bill's favourable consideration of renewable energy and the way it positions it in the province's energy equation for the next step of its development.

On this subject, there have been many good discussions in this committee. However, there are two points we would like to make. First, we have no conflict with embedding the conservation bureau in the OPA, as we see these are linked in a community-based energy system. Secondly, we believe the discretionary powers of the minister's office are appropriate. Dealing with the energy issues in the context of the looming climate change crisis which will soon follow our energy supply problems will require strong political leadership and, we submit, community action. Business as usual is not going to get us there. We see the two solutions—renewable energy and conservation—working together on a community level. Of course, this is a long-term process, so we need to start with education.

1600

I'll describe a project underway in our community high school called the Shelburne Community Energy Pilot Project. This is a project in two parts. One is the installation of a renewable energy system at the school. It incorporates a four-phase project, beginning with a PV DC system which is going on the roof of the school as we speak, getting it ready for the students when they return. Actually, the students are involved in doing it, along with the teachers. Eventually, we hope to grid-connect that PV and test the market in terms of showing the community how a grid connection and a grid guide can be made. We expect the students will get a hearing for their case to do this.

The third point is to integrate a half-kilowatt PV wind turbine at the school. This will be located in the quad.

Then, in the future, maybe a few years out from now, we're going to look at more advanced energy conversion technologies.

At the same time, beginning in the new year but becoming evident in the summer, we have a program within the community led by the students taking the learning from their energy system and energy experience into the community to carry out energy audits and promote energy conservation measures within the community. That will include door-to-door audits.

PURE and the Upper Grand District School Board hope that this pilot can become a model for other rural and small communities throughout the board. It teaches our kids about energy, social responsibility and project management. In the longer term, the value proposition of community investment in sustainable energy systems will build. We view this as a societal change, not a market decision based on developing a sustainable energy culture. Just as we have for recycling, people will start thinking about the consequences of consumption.

Finally, we think there are ways that conservation and renewable energy can be combined to further the objectives of each—perhaps trading “negawatts” for renewable energy tariffs. This is something worth thinking about in the next steps.

On behalf of PURE, I would like to thank the committee again for the opportunity to present our views, and wish speedy passage of Bill 100 so that we can get on to the next steps in building our energy future.

The Chair: Thank you very much. With no representatives from the Progressive Conservatives or the NDP, we'll go to the government. Mr Ramal first and then Mr Craitor.

Mr Ramal: I would like to thank you on behalf of the people of Ontario. Actually, it's a wonderful approach, and I think this approach should be copied across the province. If every community in this province did the same, I guess we wouldn't have any problem with the hydro. Also, we'd achieve our conservation goal. Basically, I'm just here to thank you. Hopefully, wherever we go, I want to think of you as an example.

Mr Fairlie: Thank you very much.

Mr Craitor: Coming out of city council, and one of the new MPPs up here, I've always been a firm believer that governments can't do everything. I still remember when I first started on council and we were getting into this concept about recycling, the three Rs. I never forgot that. Even though we at the council level were saying, “Recycle, recycle,” nobody bought into it until we got the public involved, particularly the kids. I can still remember that. We went into the schools, convinced them—we didn't have to convince them; kids always believed in making the environment safe.

Now we're into energy. I'm still one of those believers, even though we have the bill, which I firmly believe in—it's only going to work in conservation if we can get the public and the kids and the educational system to buy into it.

The only point I was going to make—and I said this earlier—I'm listening to you and I'm thinking, back in

Niagara Falls we have a community centre that is going to open next year. It's a brand new development, bringing in a lot of the YW, the library and seniors—a whole group in there—but one of the things we're hoping we might accomplish is getting a turbine put in there to produce its own electricity to run the facility, and maybe any excess will then be put into the grid, but also to create an interpretive centre to educate the public on renewable resources and why that is the way to go. Just listening to your presentation, it's sort of *déjà vu*.

I think, for this to be successful, you've got to get the communities and the public to buy into it. We're going to put the legislation in place to do it, but the public has to buy into it.

I wish you success with your project and all the work you're doing. It's a great concept.

Mr Fairlie: I thank the committee for their very supportive remarks. I'll take them back to the teachers and students who are working on the roof of the Dufferin school. I think your support is very meaningful.

The Chair: We have Mrs Cansfield and then Ms Wynne.

Mrs Cansfield: I, too, would like to say thank you to you as a community for taking a lead that has been long in coming in terms of looking at the issue of renewable energies, and for not waiting for the legislation to be in place but taking the step forward.

I was in Guelph. Are you part of the whole process with Dr Suzuki?

Mr Fairlie: There was a meeting with the school board and Suzuki. In fact, I think they had him up in Guelph.

Mrs Cansfield: I was there.

Mr Fairlie: PURE was present. We had two of our members there. They had a table and they were talking about this project at the school and community action.

Mrs Cansfield: I think what you're doing is absolutely superb. What we need to be able to do is enable you, once you get that turbine up, to net-meter it into the grid. Then you can run your school, sell some energy and the kids can have some additional dollars to do with as they please. They do it in the United States, so we should be able to do it here. We're going to be able to put that in regulation that will enable you to do that. I encourage you to look at those regs to make sure we are providing that enabling part for you.

I would welcome, and I'm sure Ms Wynne and others would, an invitation to come and see this particular site. I'd be pleased. I go through Shelburne, not on a regular basis, but fairly often. We have a place up north. It's the opportunity to share with the rest of the province something that is very innovative and starting where we know it really makes a difference, and that's with education, with young people, because ultimately, they're the future. If we can get them thinking about a sustainable concept, then we know we are in good hands.

Again, thank you for this. If you've ever got any problems, you know who to call. The other is, please

issue us an invitation. We'd be delighted to come and have a visit.

Mr Fairlie: I'll ask the students and teachers to consider that, but I'm sure they'd be thrilled if you people came to the opening.

Ms Wynne: Just quickly—this is more a school trustee question than it is an MPP question. Some of the logistics of how you're doing this and how you got the kids involved: Are they doing a credit? How did you make this happen?

Mr Fairlie: It's outside the curriculum, but the board is supporting the concept, at least, that it could be made into a learning module.

Ms Wynne: Do they get some of their 40 hours?

Mr Fairlie: Actually, in the conservation part of it, in the preliminary part of that, we expect they'll get some of their 40 hours' work. But it's really an initiative that has been taken at the board level, and we have a very good group of teachers who are very excited about it, so they just want to make it happen.

Ms Wynne: Rightly so. Thank you very much.

The Chair: Thank you very much for your presentation today.

1610

PPG CANADA INC

The Chair: Next I'll ask PPG Canada Inc to come forward: Mark Shoemaker, the director of finance and human resources. Welcome, sir.

Mr Mark Shoemaker: Good afternoon, Mr Chairman and members of the committee. I have a much lower-tech presentation. It's all on paper.

My name is Mark Shoemaker. I am the director of finance and human resources for PPG Canada Inc. I would like to speak for about 10 minutes and leave some time for questions at the end. During this time I would like to accomplish two things: first, I would like to tell you who we are and what we do at PPG, and second, I would like to elaborate on a letter we wrote to Energy Minister Duncan on August 5 in which we expressed our preliminary view on Bill 100. I've given copies of this letter to the clerk to ensure you have your own copy.

First of all, who are we at PPG? To appreciate who PPG Canada Inc is, it is important to understand that we are part of a large multinational organization with plants and investments around the world. PPG Canada Inc is a wholly owned subsidiary of PPG Industries Inc, which is a global supplier of protective and decorative coatings, flat glass, fabricated glass products, continuous-strand fibreglass, and industrial and specialty chemicals.

Our parent corporation, PPG Industries Inc, was established in 1883 and is headquartered in Pittsburgh, Pennsylvania. It has 120 manufacturing facilities and equity affiliates, employing about 35,000 people worldwide, with combined annual sales in the range of US\$8.8 billion.

PPG Canada Inc, which I'll refer to as PPG, employs about 2,000 people in Canada at our five manufacturing

facilities and numerous sales, warehouse and distribution operations from Newfoundland to British Columbia. Our sales typically rank in the top 200 to 300 of the National Post 500 listing. We compete in a global economy and exports do represent a significant part of our sales. We ship our products from Canada to numerous markets, including the United States, Japan, Germany and China.

The majority of our investments are located here in Ontario, and we are a significant employer in the following communities: Hawkesbury, Oshawa, Mississauga and Owen Sound. Our Owen Sound, Oshawa and Hawkesbury plants produce automotive glass and windshields, and our Mississauga plant produces coatings for the highly competitive automotive sector.

Now that you know generally what we do, I would like to briefly describe our energy needs. PPG's Hawkesbury, Oshawa and Mississauga production facilities operate 24 hours a day, generally for five days but up to seven days a week. The PPG Owen Sound plant operates continuously 24 hours a day, 7 days a week, 365 days a year, and shuts down about every 10 to 12 years for a major furnace rebuild. Because we are now in the process of deciding whether to proceed with a major renovation at Owen Sound, I'll come back to this location shortly.

Together, PPG's Ontario plants consume in excess of 20 megawatts of electricity, all of which is bought through local distribution companies. PPG is not a direct wholesale electricity customer.

Due to the continuous nature of PPG's production, there is virtually no opportunity for electricity load shift or curtailment during peak periods without significant adverse impact on the company, and possibly on our automotive customers, owing to our just-in-time relationship with them. Moreover, because our processes in Ontario utilize little or no steam, cogeneration is not an economically viable alternative for us.

In the letter we wrote to Energy Minister Duncan earlier in August, PPG advised the government of Ontario that we believe two key legislative amendments are required. We believe that Bill 100 should be amended to specify (1) that the transitional large electricity consumers' rebate will remain in effect until April 30, 2006; and (2) that large or medium electricity consumers should not cross-subsidize smaller consumers.

To the first point, our parent company, PPG Industries Inc, has experienced the transition to competitive electricity markets in England and the United States, particularly in Pennsylvania and Texas. We therefore understand the importance of transitional measures, and we are concerned that Bill 100 is silent in this regard.

Under the market power mitigation agreement, the MPMA, the government of Ontario created a rebate for the first four years after May 1, 2002, running until April 30, 2006. In March of last year, the government of Ontario replaced this with the quarterly business protection plan rebate and again confirmed that this rebate would last until April 30, 2006.

We at PPG have relied on this rebate commitment and made investment decisions based on our understanding

that this transitional measure would remain in effect until April 30, 2006. As I mentioned earlier, we are now in the process of making a major investment decision that will affect the future of our Owen Sound plant. The cost of electricity is a critical factor in this decision, because energy is a major component of the cost of production. If we cannot source competitively priced energy in Ontario, our plant will not be able to compete in North American and global markets and its future clearly would be jeopardized. We are therefore concerned that the current version of Bill 100 makes no mention of the rebate. Although we understand that the rebate commitment was made by a former government, we believe that Bill 100 should honour it, because PPG and other manufacturers have relied on this commitment.

The bottom line here is that we have made business decisions in good faith on the understanding that the rebate would remain in force for the full four-year period. To help make sure that Ontario remains a reliable investment destination, we believe the legislation should confirm that the rebate will continue to the end of April 2006. We understand that many companies believe the new hybrid market price may make the rebate no longer necessary. We therefore, as a result, would see no reason why Bill 100 could not be amended so that PPG and other manufacturers would have the option of choosing either the rebate or the new hybrid price during the transition period, depending upon which was lower.

The second point we brought to the minister's attention is that large electricity consumers like PPG should not cross-subsidize other consumers. To ensure fairness and to maintain the ability of Ontario manufacturers to compete in North America and abroad, any costs associated with the small consumers' annual rate plan, including energy prices and other uplift charges, should not be borne by industrial users. It is therefore important that Bill 100 legislation specify that energy prices and charges must be transparent and cross-subsidization prohibited.

In closing, we note that many of the details regarding Ontario's new energy framework are not included in Bill 100 and will only become clear when regulations are passed. We believe that this regulation-making process must be transparent and subject to the same public scrutiny as the Bill 100 consultation process.

The stakes involved in Bill 100 are high because the future of Ontario's manufacturing base depends in part on competitive and reliable energy. I understand that the Canadian Manufacturers and Exporters appeared before your committee on August 12. At PPG, we actively take part with the CME and strongly support their objectives.

On behalf of PPG, I thank you for this opportunity to share our views on this very important legislation. I'm pleased to respond to any questions, if I can.

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The Chair: Thanks very much, Mr Shoemaker. Questions from the government side?

Ms Wynne: Just a quick question: You talked about cogeneration not being a possibility in your business. Are

there other technologies or other things that you've been able to explore to manage the cost? Is there anything out there that—

Mr Shoemaker: At this stage, I think we've explored every possible alternative outside of what we're currently doing. We believe the current energy mix is what we need to run our plants effectively.

Ms Wynne: OK. Have you been in conversation with the ministry? I know you've sent a letter to the minister, but have you been in conversation with the ministry about the direction of the regulations? How close have you been to that?

Mr Shoemaker: We haven't had face-to-face meetings yet.

Ms Wynne: I'm just wondering if maybe that would be a possibility. I'm sure the parliamentary assistant—she's nodding. I think if you're in touch with the ministry, with Mrs Cansfield's office, perhaps a meeting could be arranged. The willingness of the government is to be in dialogue with consumers who are having these issues.

Mr Shoemaker: Great. I appreciate that.

Mrs Cansfield: Thank you. I'd be delighted to facilitate a meeting. We have, I think, met somewhere around 550 to 600 stakeholders. Part of the issue is to be able to learn and understand what their concerns are.

A lot of the folks who have come into my office have talked about one of their concerns vis-à-vis manufacturing. I appreciate that you have your own internal folks who look at your energy needs and consumption. But, like most things, technologies change, and sometimes on a fairly regular basis. A lot of things have been sitting on the shelf because energy has been relatively inexpensive. There hasn't been such an extraordinary need to look at some of these technologies.

What they're saying to me is, they can't get past middle management. They knock on the door. They've got something they believe is specific to a particular industry. They believe that they can make that industry more efficient and effective in terms of its energy consumption, and they can't get past middle management. It's "Been there. Done that. Not interested. We've done it all. There's nothing new out there." Yet the technologies that are coming forward are working in those industries that have been a little bit more innovative in that approach.

I did speak to Ken Elsey and to the Canadian Manufacturers' Association about this issue. But I wondered, have you got any ideas as to how some of these entrepreneurial people could approach the manufacturing sector?

Mr Shoemaker: Certainly, in our case, the key is to approach the specific plant. In Ontario, we have four major plants. All are under tremendous cost pressures. If there's a viable, cost-effective solution that saves costs, that's the key person to get to. I don't want to sound trite. We don't have much middle management anymore; we're a pretty lean organization. Getting through to the manufacturing heads is the way into discourse and discussion.

Mrs Cansfield: Certainly, within the automotive sector and the few folks that I've talked to, they haven't been—and I don't mean in wholesale but in the retail end—quite as responsive. I've asked them about their lighting, in particular, which has to cost them a fortune, not suggesting that they turn it around overnight. But as they have to replace, have they looked at LED lights? They look at me as if I'm off the wall: "What is an LED light?"

So how do you encourage us to go out to that sector, to manufacturers of your ilk, and say that we believe there are places where you might re-audit, if you like, in terms of some of that newer technology?

Mr Shoemaker: I guess a key step would be to convince associations like the CME, who represent huge blocks of manufacturers, that there is a profitable avenue. With their support, that presumably would provide access to a wider base of companies.

Mrs Cansfield: Maybe what we need to do is bring you together and find a venue to give you an opportunity to look at some of these alternatives that are fairly new.

Mr Shoemaker: As I understand it, the CME is having another energy forum later this year, I believe in November. That could be an opportunity, for instance, because a large number of Ontario-based manufacturers will be there.

Mrs Cansfield: I'll follow through with that. I appreciate that. I won't comment on the letter, because it's to the minister, but I will facilitate the meeting. I will just have somebody get in touch with your office.

Mr Shoemaker: Great, and my wife says hello.

Mrs Cansfield: We say hello back.

The Chair: Mr Shoemaker, how big is your Owen Sound operation?

Mr Shoemaker: Owen Sound employs approximately 200 people. It generates revenues in the \$80-million to \$100-million-a-year range. It has a dual mandate. It supplies both automotive glass and float glass for further manufacture.

The Chair: It would be, I would take it, one of the larger manufacturers in Owen Sound?

Mr Shoemaker: Yes, no worse than number two. We're a heavy representation there.

Mrs Cansfield: I have one more question. If we're going to try to have a meeting, one of the things you might help us with is if you went back to your plant manager, for example, and asked him what his barriers are to more efficiency, maybe those are things that we can help with. If you could bring that to the meeting, I'd appreciate it.

Mr Shoemaker: I will be meeting with all of our plant managers in September, on the 22nd, and that's a perfect forum for me to get their input.

Mrs Cansfield: Great, and then we'll schedule that meeting for October.

Mr Shoemaker: OK. Very good.

The Chair: Thank you very much, Mr Shoemaker, for being with us today. We appreciate your input.

RENÉ MOREAU

The Chair: Mr Moreau, please.

Ms Wynne: Just before Mr Moreau starts, I'd like to acknowledge that he's come early, at our request. Thank you very much.

The Chair: Yes, he has. Mr Moreau, thank you very much for being with us today. You can proceed with your presentation.

Mr René Moreau: I have a few notes after this, or a few points, but there aren't many. I'm going to read the letter because I think you all have copies of it.

"Re: The discussion on power for Ontario."

It's also the other subject—the other title could be, Protection from NAFTA in any Privatization Issue—in this case, hydro.

"Again and again, the issue of privatization of our electricity sources keeps coming up, and NAFTA keeps getting called 'unlikely to have any effect on Canadian privatization.'

"The issue first came up, that I know of, when councillors Brad Duguid, David Shiner, and three others were convinced by lobbyists that the privatization of Toronto's water system would be a good thing. Apparently, the city got the legal opinion of lawyer John Terry of Tory and Tory, in which he said that NAFTA was unlikely to have any effect on the turning over of water to corporate control. Later in the public's commentary against privatization, which went from 2:30 to 7:30 at city hall, Ann Emmet called his contribution 'weasel words,' which seemed quite apt at the time.

"Lately, on any privatization issue, be it the private-public partnerships or outright privatization, those who would fight to shed light on the NAFTA issue keep being told, 'Don't worry. Free trade and NAFTA are not important.' Again, it's in the form of lawyers' letters, as in the case of the Ontario Health Coalition," which you probably know fights the privatization of the health system.

"We've just had a full federal election where five political parties would not discuss any of the negative issues of NAFTA. The media and the businesspeople apparently have not commented on the fact, since they all, with few exceptions, have avoided the issue. It is surprising that the protection of our public entities from the rules of NAFTA, which stipulates that we cannot protect from or discriminate against foreign, American or Mexican corporations as they seek control of our resources, either goes undiscussed or is played down as the ranting of the leftist, wacko fringe, or the self-interest of the unions. Add to this that free trade discussions are done behind closed doors, are we not wise to consider the potential for problems now rather than later?"

1630

"We already have reason to be concerned when such corporations as Algonquin Power in Mississauga—but from New York—and Sythe corporation, also from New York, can come in and wait for so-called 'Canadians' in government to privatize those entities. This effectively

turns the power system over to the neighbours, because 'NAFTA says we must,' that the Ontario and Canadian public have paid into and built for years. Add to this the stipulation therein that if we impose rules that adversely affect their profits or potential profits, they can sue Canada and we, the taxpayers, get to foot the bill.

"Since the only way to protect ourselves from such a scenario is to abrogate or dump NAFTA"—and that is rather unlikely, considering what is at stake—"why not just not privatize or do any P3s? Leave it in public hands. In other words, speak out for Canada.

"After all, whenever the issue comes up, we have only to remember the phrase, which applies to all privatizations, 'Privatize the profits, socialize the debt!'"

They told us at the beginning that hydro was too big and it had to be broken up. At the time, the alternative was Southern Electric and Enron. Is this going for a smaller entity? Obviously, it turned out that it wouldn't have been a suitable alternative.

NAFTA almost ensures American input, as we've seen in the water issue, where American Water is running London, Ontario's, water, Azurix of Texas is running Hamilton-Wentworth's water and USFilter from the States is running Moncton, New Brunswick's, water.

We have another issue which may not have anything to do with the hydro issue, but as an example of what can happen, we currently have our census being operated, computer-wise, by Lockheed Martin of Texas. Currently they're talking about the firearms centre—it was put in the hands of EDS, also of Texas. They switched to another company because it was failing. It was not doing the job it was meant to. They put it in the hands of NCI and BDP. For the last month or maybe a bit longer, BDP has been part of Resolve, of Cleveland, Ohio.

I think it's time that we really consider our Canadian possibilities. I would like to think the people who are talking about NAFTA would consider that we may have to fight for this. Canada is worth fighting for.

The Chair: Thank you. There may be questions. Ms Wynne, please.

Ms Wynne: Actually, it's more of a question for the committee or maybe the parliamentary assistant. Mr Moreau, thank you for raising this issue. It has been raised before. We did ask for a legal opinion, and I'm just wondering what the status of that is. Do we know?

Mrs Cansfield: The request has gone through to the ministry and is in the ministry.

Ms Wynne: We have asked for a legal opinion on this issue of the relationship between what we're trying to do and NAFTA. I'm not a lawyer, so I'm not able to comment on it at this point. But when that legal opinion is available, it will be available publicly.

Mr Moreau: Could I get a copy of it sent to me?

Ms Wynne: Yes. I believe you're a constituent in Don Valley West?

Mr Moreau: Yes.

Ms Wynne: When that legal opinion is available publicly, you can get it through my office. I'll give you my card. OK?

Mr Moreau: OK. Because you can be fairly sure that it will be the same thing. We've had too many of them.

You heard from Paul Kahnert, who spoke for hydro, against the privatization. His group has been told, "Don't do NAFTA." In fact, there is an analogy to this keeping quiet on NAFTA. Do you remember the emperor's new clothes?

Ms Wynne: I do. He didn't have any.

Mr Moreau: You were obviously an idiot if you couldn't see his clothes. Well, obviously, we are the idiots if we speak out against NAFTA. It was said at the time of NAFTA, "Don't bring it up in public. The people will wake up, and they won't like it."

Ms Wynne: Well, I'll give you my card, and as soon as we get that legal opinion, we'll get a copy out to you, OK?

Mr Moreau: OK.

Ms Wynne: Thank you very much.

The Chair: Any more questions? Mr Moreau, I want to thank you very much for making your thoughtful presentation to us today.

I guess that concludes the committee's work this afternoon, and I'm looking forward to being in Ottawa tomorrow.

The committee adjourned at 1635.

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of Ontario**

First Session, 38th Parliament

**Assemblée législative
de l'Ontario**

Première session, 38^e législature

**Official Report
of Debates
(Hansard)**

Wednesday 25 August 2004

**Journal
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(Hansard)**

Mercredi 25 août 2004

**Standing committee on
social policy**

Electricity Restructuring
Act, 2004

**Comité permanent de
la politique sociale**

Loi de 2004 sur la restructuration
du secteur de l'électricité

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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
SOCIAL POLICYCOMITÉ PERMANENT DE
LA POLITIQUE SOCIALE

Wednesday 25 August 2004

Mercredi 25 août 2004

The committee met at 1035 in Courtyard by Marriott, Ottawa.

ELECTRICITY
RESTRUCTURING ACT, 2004LOI DE 2004 SUR LA RESTRUCTURATION
DU SECTEUR DE L'ÉLECTRICITÉ

Consideration of Bill 100, An Act to amend the Electricity Act, 1998 and the Ontario Energy Board Act, 1998 and to make consequential amendments to other Acts / Projet de loi 100, Loi modifiant la Loi de 1998 sur l'électricité, la Loi de 1998 sur la Commission de l'énergie de l'Ontario et apportant des modifications corrélatives à d'autres lois.

The Chair (Mr Jeff Leal): It being 10:35, I'd like to bring this meeting of the standing committee on social policy to order. Mr Marchese?

Mr Rosario Marchese (Trinity-Spadina): Yes, Mr Chair. I wanted to make a request. In Windsor, Steve Thomas made a presentation, and I know some people had lots of questions. I certainly did, although we didn't get an opportunity to ask them. In that view, having read his paper just yesterday, I think he's quite knowledgeable, and I think we would benefit from another 15 minutes from Steve. Given that he's coming with us in all of the meetings we're having, and he's available today, I request that if there's a spot open, we would permit him to speak again.

The Chair: Mr Marchese, indeed, we have an opening at 2:30. There was a cancellation, so Mr Thomas could appear then.

Mr Marchese: That's OK with the committee?

Mr Ted McMeekin (Ancaster-Dundas-Flamborough-Aldershot): Yes, we would agree.

Mr Marchese: Oh, there's somebody else.

The Chair: Mrs Cansfield, please, the parliamentary assistant.

Mrs Donna H. Cansfield (Etobicoke Centre): Thank you, Chair. Presuming that the gentleman has additional information to present on Bill 100 and that it would be limited to that presentation, I think it's an opportunity for us to hear additional information on his presentation, and it should be restricted to a presentation.

The Chair: I think that's fair. Mr Thomas will have the opportunity to speak to the bill and provide any additional information that's germane to this issue that he

didn't get the opportunity to provide us with when we were in Windsor. So if there's concurrence with everybody, I just need a quick show of hands and we'll move forward.

Mr Marchese: OK. Thank you.

The Chair: Thank you very much.

JON JENNEKENS

The Chair: The first presenter today is Mr Jon Jennekens. Welcome, sir. You'll have 15 minutes, and any part of the 15 minutes you don't use will be reserved for questions. Proceed, sir.

Mr Jon Jennekens: Mr Chairman, distinguished members of the committee, ladies and gentlemen, I very much appreciate the opportunity to share with you some of my thoughts on Bill 100. To begin with, I'd like to outline a few generic matters for your consideration.

Ontario must make a series of major investments in the infrastructure of its electricity sector during the next several years. These investments will have a significant impact on Ontarians' quality of life for decades to come. As the Manley report correctly states, the "electricity system is increasingly fragile."

Infrastructure investments by the government of Ontario on behalf of Ontarians are very important, a sine qua non of a prosperous future. But equally important are investments by the private sector. To encourage these investments, the government must take meaningful steps to ensure that a predictable market environment will prevail to allow the private sector to be reasonably assured of a fair, risk/reward-balanced rate of return on the investments.

The government must proceed on an urgent basis to prepare a comprehensive, multi-year, systematic series of investments in the energy infrastructure. The economic prosperity of Ontarians is at risk and, clearly, time is of the essence.

With the proposed phase-out of coal-fired stations, which were originally primarily intended to serve as load-following stations but in recent years have served as an important contribution to baseload demands—about 25%—the only feasible, practical source of new, large-scale, baseload generation is nuclear, currently about 40%. Hydraulic stations, of course, will continue to fill the very important functions of baseload, frequency control and load-following.

Combined-cycle natural gas generating stations will also continue to be an important secondary means of meeting peak load, about 8%. However, as you know, last week, three of Ontario's largest gas-fired plants were either operating at very low powers or were shut down, while the eight units at Nanticoke—coal-fired—were pumping out at high levels of power, of course, releasing to the atmosphere copious quantities of carbon dioxide, nitrogen oxides and the particulates that cause smog.

It's evident that the price of natural gas is again increasing, and it's increasing to the point where companies like Coral Energy Canada, TransAlta and Imperial Oil will not really think it's a good, sound basis for building additional capacity. Finally, the continued development of renewable sources of energy should be encouraged, realizing the limitations.

Energy efficiency does not mean conservation. Unrestricted availability of electricity and a high standard of living are inseparable. Conservation will not be a panacea to cure the ills of Ontario's electricity sector.

1040

Turning now to Bill 100, on balance, the 10 purposes of the act enumerated in the bill appear to be commendable and well-intentioned. However, close scrutiny of the bill following second reading would be advisable, if only because it is not a simple piece of legislation. In fact, it is a very complex piece of legislation. Several questions are raised regarding the reorganization of certain entities and the proposed establishment of new entities: how these entities will interact with each other, how they will operate under ministerial oversight with the ever-present threat of ministerial directives hanging over their heads, and the possibility that the current and future governments may not observe the interlocking admonitions of the Manley report regarding past political interference in the management of Ontario Hydro and Ontario Power Generation and their misuse as instruments of public policy. Directives from the minister constitute a very powerful tool for the government, as do the regulations provided for in the bill. However, neither the IESO nor the OPA should be hampered by multiple layers of bureaucratic or regulatory review.

In reading Bill 100, I was reminded of something that was stated a little over 2,200 years ago, and I quote: "We trained very hard but it seemed every time we were beginning to form up in teams, we would be reorganized. I was to learn later in life that we tend to meet any situation by reorganizing, and a wonderful method it can be for creating the illusion of progress while producing confusion, inefficiency and demoralization." Petronius Arbiter, 210 BC.

I think of the 1993 supposed reorganization of Ontario Hydro. In fact, it was a disorganization.

The Manley report refers to the definitions offered by the Organization for Economic Co-operation and Development, headquartered in Paris, and to the Canadian Institute of Chartered Accountants to explain the word "governance." Missing from the explanation are the words "competence" and "proper" governance. The

histories of Ontario Hydro and OPG are replete with examples of poor and improper governance. Improper governance must not be allowed to recur. The requirement for competence, of course, must begin with the chairman of the board of OPG and the other entities, and the members of those boards.

There is at least one omission from Bill 100. A large utility like Ontario Power Generation involves very complex generation and transmission facilities with sophisticated load management, control, protective and monitoring facilities, equipment and systems. The individuals who operate and manage these systems must be highly trained, beyond the academic qualifications they earned at university or in community colleges or high school and in the skilled trades. The successful return of Bruce units 3 and 4 to service after a six-year lay-up was due to the efforts of a team of Canadian experts in all ranks and all different occupational categories. It included all of Bruce Power's employees, with employees of several hundred contractors.

Bill 100 seems to be silent on the important requirement for the government of Ontario to ensure it has frequent and meaningful communication with Canadian nuclear workers.

If Canada is to meet its Kyoto commitments without severe economic disruption, all laid-up CANDU power reactors must be returned to service and operated at least until 2012, if not beyond. While renewable sources of energy are an important addition, their potential is probably something less than 10%.

The "hydrogen economy" is often mentioned in the Kyoto context. Hydrogen is extracted from natural gas, from methane and ethane, and from water. From water, it's extracted by separating the atoms of oxygen and hydrogen with electricity.

Electricity demand varies considerably throughout the day, as we all know, and not only the day but also throughout the week, throughout the months and throughout the seasons, with peaks occurring during the early morning and late afternoon/early evening. Nuclear power stations, for technical and economic reasons, cannot be operated on a load-following basis. Fortunately, hydraulic stations can. As you know, they often spill water at night and on the weekend when the head pond reaches its maximum level. Thus, hydrogen should be extracted from water by electrolysis during these off-peak hours, when the cost of the power is low. Of course, neither hydraulic nor nuclear stations produce greenhouse gases.

Nuclear power, as we all know, is the subject of much debate and a great deal of misunderstanding. France produces 78% of its electricity in nuclear plants. Sweden set aside the results of a 1978 referendum calling for the shutdown of all 12 of its nuclear plants. Today, Sweden generates 50% of its electricity in nuclear plants. Lithuania, Slovakia, Belgium, the Republic of Korea and Slovenia produce 80%, 57%, 55%, 40% and 40% respectively. Finland has recently decided to build its fifth nuclear station. It currently produces 27% of its

power in nuclear plants. Even Germany, the land of the Greens, in 2002 decided to extend the operating licence for its Obrigheim plant for another three years. India and China, the two most populous countries in the world, accounting for 40% of the world's population, have very ambitious nuclear power plans. Obviously, their energy planners are pro-nuclear.

In conclusion, I would like to add the following thoughts:

The ownership of OPG should remain with the government of Ontario in trust for the citizens of this province.

OPG should retain its ownership of nuclear, large electric and fossil-fuel stations. This should not preclude the entry into lease arrangements such as those with Bruce Power.

Self-sufficiency of reliable, competitively—that means “realistically”—priced, environmentally friendly electricity supplies with an adequate reserve margin should be OPG's primary technical objective. The social and economic costs to Ontarians of inadequate or unreliable electricity supplies would be enormous.

OPG and Hydro One should work together in concert to improve the security of their combined generation and transmission facilities.

I'd be happy to answer any questions.

The Chair: Thank you very much, sir. We have about two minutes left, and on this rotation I have Mr Chudleigh first, of the Progressive Conservative caucus.

Mr Ted Chudleigh (Halton): Thank you very much for your presentation. Could you give me your opinion on clean coal, whether or not that has a place in a future power grid?

Mr Jennekens: I would suggest it has a very minimal place. Clean coal, with all of the equipment that is required to reduce the emissions, is extremely expensive.

Mr Chudleigh: The expense of the clean coal—the raw product is still readily available and probably not subject to the same kinds of spikes that natural gas or liquid petroleum would have. If they were of equal cleanliness, would coal then have some merit, in your opinion?

Mr Jennekens: Most certainly.

The Chair: Next, Mr Marchese, quickly. We have about 30 seconds.

Mr Marchese: Mr Jennekens, you seem to be a very knowledgeable person in this field. Who do you work for?

Mr Jennekens: I'm retired. I served in the Canadian army. I served for three and a half years, including a year in Korea as a peacekeeper. I worked in nuclear operations at Chalk River for four years, and then I joined the Atomic Energy Control Board. I served as a staff member for 16 years, and the president and CEO for eight and a half. I then was appointed deputy director-general of the International Atomic Energy Agency in Vienna and head of the department of safeguards, verification of peaceful use, dealing with the Iraqis, the North Koreans—

Mr Marchese: You need five minutes just to give us the whole list of what you do.

Mr Jennekens: And I did inspections in Germany beginning in 1964. Ich spreche ein bisschen Deutsch.

The Chair: Thank you very much, sir. It was a very thoughtful presentation.

Mr Jennekens: I have left with Ms Stokes copies of my presentation.

The Chair: We appreciate that. Have a good day, sir.

1050

WILLIAM KEMP

The Chair: I'd now ask Mr Kemp to come forward, please. Mr Kemp, good morning and welcome.

Mr William Kemp: Good morning, ladies and gentlemen. Thank you for having us. I appreciate it.

First, by way of a quick introduction, my colleague, Nicole Foss, is president of ANF Energy Solutions, which offers policy and technical consulting services to the electricity sector, and is a research fellow with the Oxford Institute for Energy Studies. Ms Foss has previously published on nuclear safety and international governance in eastern Europe and worked in the field on European energy policy.

Myself, I'm an electronic software designer, specializing in high-performance embedded control systems for low-impact hydroelectric utilities worldwide. I'm also very experienced with renewable energy systems. I also live off the grid myself, as a matter of fact. I've published two books on renewable energy. I'm also chairman of electrical safety committees at the Canadian Standards Association.

As we all know, Ontario is facing an energy crisis. Projected curves for supply and demand demonstrate that Ontario will have insufficient electricity supply to meet demand before 2010. Indeed, Ontario needs to look primarily to the demand side for solutions, as only conservation and efficiency can deliver in the time frames available. Active consumers, motivated by much higher prices fluctuating with load, can do the same for Ontario as they have recently done for California. The overwhelming demand-side response in California solved its energy crisis in under a year, and did it without building new generation.

As a small aside, certainly people look to the upheavals in California as being a major problem. But once they crossed through the upheaval issues, we've now got to the point where we have stable electricity supply and costs in the state of California. All of this was done without the need to build any generation capacity at all in the state. Some of the initiatives were actually quite simple and extremely economic. For example, the distribution of 10 million free compact fluorescent light bulbs to homeowners in the state, at a cost of approximately US\$36 million, eliminated 1,500 megawatts of capacity, the equivalent of approximately three nuclear generating facilities. Obviously, we can see the economic benefits right there.

Ontario could rapidly embrace the era of the active consumer through the introduction of prepayment metering for all consumers. Prepayment will also act to sharpen price signals presently muted by the delayed billing system, and will also prevent the accumulation of bad consumer debt after prices rise.

Ontario stands in a position of great opportunity, as up to 80% of its current generation capacity will reach the end of its design life within the next 15 years. There's no need to refurbish or replace all of it in its current form. Instead, that 15 years could and should be used to deliver a new form of power system, a system largely built by the private sector—by industry, municipalities, communities, farm co-operatives, First Nations and individuals—and composed largely of small-scale or modular generation adjacent to demand. It would be decentralized and efficient and would be clean and economically viable. It would not be primarily the responsibility of government and would therefore not consume vast quantities of public resources badly needed for competing priorities.

The case for distributed generation can't be made strongly enough, and as we see in other jurisdictions, there are large and vast amounts of distributed generation being put into the electrical supply system through many, many sources of energy. There's not one particular piece of energy that's going to solve all of the problems. It will be a distributed and large-scale implementation.

One of the big issues right now relates to the price of electricity and trying to hold it at an artificially low level, currently at approximately five cents per kilowatt hour from the historic generating fleet. Ontarians have come to expect that this is the real price of energy, but, of course, with the \$38 billion in debt and \$125 million a month in interest charges accumulating on this debt, plus the fact that the existing historic generating fleet is going to need major refurbishment, possibly equal to the same amount of money over the next 15 years, it's clear that the real price of electricity has been heavily muted.

Part of the problem is that we've got what we would consider a top-down approach for the political control of important electrical decisions. Bill 100 is trying to propose a system where it's less politically motivated, but, unfortunately, what we're doing is simply separating the minister from the actual hard decisions by virtue of additional layers of bureaucracy. We think this will create more problems than it will solve.

Looking forward into the specifics of the program, we have no commitment to competition in generation. There is no means for determining what the true price or cost of electricity is, and there are too few players left to compete when the heritage assets are removed from the market. When there are too few players, there will be high prices, volatility and perhaps even some fraudulent operations in terms of determining what the price is.

There are also minimal targets for demand. Bill 100 perpetuates consumer passivity in the sense that we're not looking to have any hassle dumped on to the Ontario consumer. The problem is that the consumer has to become active in order to be aware of their electrical

consumption and understand the effect their lifestyle is having. Only demand reduction can make a difference quickly enough to prevent an energy crisis, as we've seen already in the California example. We need to encourage consumers to see buying electricity like buying fuel for their cars. It gives consumers responsibility and control over their own consumption.

There is very inadequate regard to renewables. Possibly the largest reason for this is simply because the government believes that you have to have a centralized model that is remotely generated power that's distributed through transmission systems. That worked fine in the early days of the generation capacity, but in actual fact now, with the new technologies in distributed generation, there is no reason why we can't have the generating sources located at the electrical loads. This would eliminate, first of all, the issue of grid instability and the potential for damage, as well as reduce electrical losses in the transmission system. We lose about 1,500 megawatts of energy through Ontario's current transmission system. By bringing generation closer to the source of consumption, this can be largely reduced.

Renewables need to be small-scale and distributed, with net metering laws and regulations which are currently lacking in Ontario. We also need to provide feed laws for renewable tariffs in order to encourage renewables to be built by the private sector. There is no reason for the province to put more money and more debt on top of what is already there. The private sector would be more than happy to build the generation capacity in the province provided they are paid a reasonable price for the energy. If we look to Germany or Denmark, for example, feed law prices have perpetuated huge gains in the renewables area. It has increased the number of jobs, and it has distributed the wealth throughout the various countries, as opposed to working with centralized locations.

There is no means for phasing out the coal plants, and trying to eliminate the coal plants by 2007 is not going to happen. I think everybody recognizes that we are just not in a position to do that. It would be far better and perhaps more politically correct now to twin coal systems with renewables by saying that we can use wind or small hydro photovoltaics and have them blend in with the production of the coal plants. As we build up additional renewable capacity, we start to reduce the coal capacity and go from that point.

There is definitely insufficient attention to the pricing signals and mechanisms. The big problem is that we're currently regulating the price from the heritage assets and there's really no reason for that. If power from the heritage assets is cheap, the private sector will not try to compete and it makes it much more difficult to get consumers to focus on demand reduction and conservation issues.

There are no mechanisms for protecting the system from the consequences of bad consumer debt. As prices go up, as they will have to, the poor and underprivileged will be in a situation where they will be faced with rising

levels of debt. Rather than simply subsidizing the cost of energy to them, we need to find demand reduction methods for them and have systems in place where they can make the decisions about energy. The Woodstock program that is using on-demand, pay-as-you-go metering is a very good example. It allows people to use the pay-as-you-go card, fill it up with as much electricity as they want to purchase and turn the lights on and off at their discretion. Nobody gets cut off, they can put power back on at any time and they don't have to pay the \$75 reconnection charge plus security deposits, which very few people can afford. Plus, the metering systems also let them see exactly what the cost of consumption is at the time of consumption rather than delayed by the three months in the billing cycle.

The Ontario Hydro stranded debt will be very difficult to pay back, without a doubt. As the \$125 million per month in interest, plus repayment of principal, continues, we will be in a situation where we have to increase prices in order to pay this debt down before it becomes exponential. The price formula must deliver full cost recovery on the debt or it will continue to accumulate through compounding until it may threaten the province's credit rating and raise the cost of all debt financing.

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To conclude, with Bill 100 the provincial government is trying to play safe with electricity, placing its confidence in the organizing principles of the traditional centralized power system. However, change is coming for technological, environmental and, most importantly, economic reasons. The status quo, which Bill 100 seeks to reinforce, is simply not an option that can be sustained. It constitutes an attempt to hold back the tide, and as such is destined to fail. The government of Ontario would be better advised to embrace change, despite the inevitable short-term upheaval, than attempt to prevent it. The passive consumers of today are likely to find the transition uncomfortable, but that transition can only be delayed and certainly not prevented. The longer it is delayed, the more painful and prolonged the transition will be. The solution will be found in the grassroots investments in both efficiency and supply, and it will happen spontaneously when price signals reach a critical point, spurring individuals, communities and industries to take a more active responsibility for their own consumption.

The Chair: Thanks very much, Mr Kemp. We have about four minutes for questions on this rotation, the government caucus first.

Mr Khalil Ramal (London-Fanshawe): Thank you for your presentation. I was listening to it in detail. I don't see what the conflict is between your presentation and our approach to the hydro solution in this province. I listened to your presentation, element by element. Actually, this government's approach is to open it up, to listen to many speakers, including scientists, professionals, many companies, to construct a final decision in order to solve the hydro issue in this province. Can you tell me where you can see the conflict between what you said and Bill 100?

Mr Kemp: Our main concern is that we're really trying to turn this into a more centralized model. Having additional layers of bureaucracy and pushing the decisions from the top down, having the minister decide on the fuel supply mix and so on, is where I see the conflict coming with what I would propose.

The problem with us is that we need to see prices rise. We need to have a sharpening of the issues with the public so that they are responsible for taking on their own demand decisions and starting to embrace energy efficiency. I don't see this coming through strongly enough in the wording of the bill at this point to effect a wholesale change from the grassroots.

Mr Ramal: Are you asking that the people of this province pay the true costs instead of being supported by the government?

Mr Kemp: Absolutely.

Mr Ramal: And instead regulate the pricing.

Mr Kemp: I think so. If we look at what happened in California, it was virtually the same thing as what happened in Ontario a year or so ago. It created an enormous amount of upheaval, but as the pricing and the problems with supply became apparent, what started to happen was innovation, implementation of technologies and the least-cost and fastest approach were put into play very quickly. All of the problem was solved 100% with demand reduction and not one megawatt of additional new supply was required.

Mr Ramal: Do you think regulating the pricing will solve the hydro issue?

Mr Kemp: I don't think that alone will solve the hydro issue but it will certainly be a large part of it. We really want to deregulate the pricing and start to allow the private sector to build and be sure that the policies are there so that they're not flip-flopping back and forth. It's very difficult for the private sector to build any form of generation, clean or otherwise, if they don't know that they're going to make a return on investment over the 20-year amortization period for that capital equipment.

The Chair: We have about a minute and a half.

Ms Kathleen O. Wynne (Don Valley West): I just have a quick question. Are you making specific recommendations for amendments? Are you going to give us some specific suggestions? Because I, like Mr Ramal, don't agree that the bill seeks to reinforce the status quo. What we're trying to do is facilitate a transition to a new market and to new practices in the province. So I would very much like to see the recommendations you're making in specific terms, the sections of the bill.

Mr Kemp: Absolutely. You have a handout that has been provided that covers the specifics that we'd like to see happen.

Ms Wynne: OK. Does it go section by section with amendment suggestions?

Mr Kemp: Not so much amendment suggestions, no; more generalizations.

Ms Wynne: Just so you understand this process, we're going to be going through the bill one section at a time. So if there is language that you think needs to be

changed to reflect your concerns, it would be helpful to have some of those specific suggestions.

Mr Kemp: Certainly, we can do that.

Ms Wynne: OK. Thank you.

The Chair: Mrs Cansfield, the parliamentary assistant, quickly.

Mrs Cansfield: Thank you for your presentation. It was very thoughtful and well done. I'd like to ask if you've had an opportunity to review the regulations, because I think they identify some of the issues you have spoken about, for example, with competitiveness.

The question I have for you is really around the issue of California. I've heard that bounced back and forth a great deal. California currently has, or had, over about 200 programs dealing with conservation. The government gave it to the local distribution companies or the utilities and then actually took them back because they weren't working, and now they've given them back again. So it's pretty hard to use that as a basis of any kind of evaluation in terms of what they've accomplished.

In my comparisons—I kind of like Canadian comparisons—I wondered if instead of looking at the US, you'd maybe look at what was happening in British Columbia. I think it's probably more comparable.

Mr Kemp: True, although they don't have quite the upheaval in the system that we've had here. It is true that the Power Smart program in British Columbia has been an extremely popular and very positive system as well, but certainly not to the extent that California's has. There's no question that not all of the programs have worked, but I think if we look in terms of what the final outcome has been in the stability in the market right now in California, we can see that indeed the effect of all the programs averaged has been fairly successful. It would take hours to go through the point-by-point comparison, but if that's of value, it certainly could be done in a resubmission.

The Chair: Mr Kemp, we thank you very much for your presentation this morning.

TOWNSHIP OF ST CLAIR

The Chair: Next I would ask the mayor of the township of St Clair, Joe Dedecker, to come forward, please.

Mr McMeekin: Mr Chair, while His Worship is coming forward, just for clarification: I, as have other members, I'm sure, have been making notes as we go through this process—very complex, a tremendous number of ideas. I'm assuming that from the research staff and Hansard, in combination, there will be a summary of all the ideas that have been generated and that they'll be clustered to make some sense. Is that a safe assumption?

The Chair: Your point is well taken, Mr McMeekin. I know the clerk and the research officer will be very accommodating in order to put the material together.

Mr McMeekin: There have been hundreds of wonderful ideas expressed.

The Chair: There have been.

Welcome, Your Worship. You can start your presentation.

Mr Joe Dedecker: Thank you, Mr Chairman. Good morning, ladies and gentlemen. My name is Joe Dedecker. I'm the mayor of St Clair township. Unfortunately, at the last minute our county warden couldn't join us because of other business that came up, so I have with me Mr Donald Loughheed, our CAO of St Clair township.

As background information, St Clair township is directly south of Sarnia, on the beautiful St Clair River. Within our township we have the Lambton generating station, which is one of four coal-fired generating stations in Ontario. Directly across the St Clair River, in Michigan, we have three coal-fired generating stations.

Lambton generating station has four units, two of which have scrubbers and anti-NO_x and SO₂ devices on them. The two others do not have the scrubbers and the anti-NO_x devices.

Units 1 and 2 primarily meet peak and intermediate provincial electricity demand—morning, evening, summer and winter—and operate about 65% to 75% of the time. Although designed to burn high-quality sulphur coal, these units now burn higher-priced, lower-sulphur coal—less than 1% sulphur content—as part of OPG's emission reduction program. They are retrofitted with low-NO_x burners, which reduce NO_x emissions up to 35% and have precipitators that remove 98% of the particulates.

Units 3 and 4 have been retrofitted with emission reduction technology that reduces over 95% of SO₂ emissions, 80% of the NO_x emissions and 98% of the particulates. These units operate to provincial electricity baseload demand and operate between 75% and 85% of the time.

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Lambton experienced its highest historical production of 12 TWHs in 2000 and since then has produced about 10 to 12 TWHs. Low-NO_x burners were installed on all units, and by 2003, selective catalytic reduction technology that removes 80% of the NO_x from the flue gas was installed on units 3 and 4. The combination of the FGD and the SCRs removes about 80% of the mercury, and you can see the attached chart that we have provided for you today. Lambton generating station meets or better current Ontario and US air emission regulations and commits to meet new government regulations and emission caps. The three coal-fired stations in Michigan have, again, no scrubbers and no anti-NO_x and SO₂ devices. From the information we have gathered, only five plants of the 1,067 coal plants in the United States have CO₂ removal systems.

Within our airshed there are 194 US coal-fired plants. Therefore, solving ozone and greenhouse emissions is a Great Lakes problem, not just an Ontario problem. Our four coal-fired plants are a long way in numbers from the 194 plants in the airshed.

We, the municipalities, for a number of years have had a program of conservation of utilities and, I would say,

have led the way in the field. The next step on conservation for the municipalities would be to ensure that new technologies have been introduced into the programs. As a previous presenter has indicated, the apples close to the ground have all been picked and now it is time to go to the top of the tree. We are firm believers in conservation and support the initiatives contained within this bill.

The health concerns over pollutants such as NO_x and SO₂, mercury and other particulate materials, we believe, are justified. Ontario has an unparalleled opportunity to reduce the province's and country's greenhouse gas emissions. However, health studies that have been quoted by other presenters have not, in our opinion, taken into account reductions with clean coal technologies. They have used old data and not considered "What if?" In order to obtain data that is open to transparent evaluation of cost, benefits and risk, the "What if?" must be answered.

We also agree with the representative of the Canadian Chemical Producers' Association when he indicated that electricity is an important component in global competitiveness. The only way to meet Ontario's energy crisis is to ensure that we have a framework that will attract new investment and not drive it away. It is important to Ontario that we stay the leader, with a reliable and competitively priced electrical system with long-term stability. In order to complete this goal, we have to have a diverse supply portfolio consisting of a broad range of fossil, hydro, nuclear and renewable energy sources.

We believe, like other presenters, that the Ontario government should set the standards of emissions and the timetable to meet the standards and allow industry to meet these standards of emissions. We believe they are the ones that can find ways to meet the goal of clean air at a responsible price for the commodity. We believe in Minister Duncan's comments at the Calgary Chamber of Commerce when he indicated, "Ontario's energy problems will only get solved by less political and more private sector investment." Let us be leaders and not followers.

Part of the solution, we believe, is not shutting down the coal-fired plants but making them meet the emissions standards that you set. You might ask, how? As I have already mentioned, in our Lambton generating station we have only two of our units with scrubbers and anti-NO_x and SO₂ devices on them. For a number of years we have been asking Ontario Hydro to bring the other two units up to standard with the scrubbers and the anti-NO_x devices. Now is the time.

It is our understanding that should these devices be placed on the other two units, our plant will come close to the emissions that would be given out by natural gas. In fact, internationally, there are a large number of clean coal technology developments underway focused on zero emissions processes. This was confirmed by Mr David Podruzny, who presented his paper to the standing committee indicating that Europe is leading the way in this field for clean coal operations.

The United States Department of Energy, as part of its Vision 21 program, projects new clean coal technologies will be available between 2010 and 2020. This program has also committed \$1 billion to a cost-shared venture to build a fossil fuel plant with zero emissions.

Many previous presenters—Ms Elwell being one—have discussed the natural gas reserves. Some have indicated that the reserves of natural gas could be from eight years to 800 years, and there seems to be a lot of confusion about the same. We know with certainty that we have over 200 years of coal reserves on this continent—not in some other place where huge tankers will bring the product to this continent, as stated by Mr Jim Schultz of Enbridge Gas Distribution. As Ms Elwell of the Sierra Legal Defence Fund said so clearly, "You wouldn't want to put all your eggs in the gas basket." We agree with this statement.

We also believe that the availability and pricing of coal is substantially more stable than natural gas over the long term. Ontario's participation in the development and deployment of clean coal technologies could influence the rate of innovations, the reduction in cost and the adoption of better technologies by neighbouring US states, reducing Great Lakes-area pollution.

We have a win-win-win situation, with an increase in economic development of new technologies that we could develop, not closing down plants and losing hundreds of jobs, we have a stable source of fuel for the long run that residents, business and government could count on at a reasonable price, and we have clean air.

Mr van Donkersgoed of the Christian Farmers Federation of Ontario indicated to the committee that the incentives which are recommended by others for saving electricity should be at the "provincial level rather than assume that we can say, 'We'll force the municipalities to deliver.' One point we would want to make is that we wouldn't want the provincial government to say, 'Municipalities, you've got to create the incentives.'"

We agree wholeheartedly with these comments. It's not up to the local municipalities to invent or handle incentives.

We have included with our presentation a paper completed and approved by the Sarnia-Lambton Economic Partnership, the Sarnia Lambton Chamber of Commerce and the township of St Clair outlining our concerns in more detail.

I want to sum up by saying:

We support the initiatives to have a central approach to conservation and the demand side of management, and therefore welcome the proposals to establish the conservation bureau, which is intended to provide leadership and planning in conservation;

Ontario needs a mix of energy sources;

The installation of clean coal technology at the coal-fired plants will make them as clean as natural gas;

Coal will remain an important green energy resource—global effort to develop clean coal technologies, zero emissions plans;

Ontario needs clean coal to remain economically competitive and to protect Ontario jobs and investments.

I want to take this time to again thank the committee for hearing our concerns. I hope that due consideration will be given to our suggestions.

The Chair: Mr Marchese, you're first in this rotation.

Mr Marchese: There are a lot of people who seem to be convinced that we have to get rid of these coal plants. You're one of the few voices, it appears, that says let's keep them. But you're also making the argument that we can get cleaner coal—and yes, that would be a little more expensive, wouldn't it?

Mr Dedecker: Yes.

Mr Marchese: You agree that that is an expensive process. But I guess you would argue that nuclear is very expensive as well, although you support nuclear.

Mr Dedecker: I personally and my council think we have to have a little bit of everything. But we don't see the feasibility—and I'm speaking for our council and also for our county, who have supported us in our presentation here today and on the county floor, that shutting down the coal-fired plants is a mistake.

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Mr Marchese: I understand that. Does radiation from nuclear worry you more than the problems that coal might be producing in the health of people, or not?

Mr Dedecker: I have no problem with nuclear at all. I think the technology is there nowadays, and it's going to get better as the years go along. I think that by the time we get new nuclear on stream, if we do that, the technology will be there to look after any problems. The same with coal: I think the technology is there; it just has to be investigated and put in place. I think coal would be as clean as natural gas.

Mr Marchese: So you would probably argue it's a mistake to try to get rid of these coal plants, given the cost of refurbishing all the nuclear plants—and there are many that have to be refurbished at incredible billions of dollars in cost, and we might not be able to have the supply necessary to provide the hydro. We should be keeping the coal plants and improving their technology to make them zero emission; otherwise, we might be making a mistake as a government? Is that what you possibly might be saying?

Mr Dedecker: I believe you've hit it on the head. The way I feel, coal is the main portion. To keep our coal plants viable, to keep our jobs within our communities—as I said, new technology can make coal-fired plants an important part of Ontario's hydro.

Just on a little side note, Imperial Oil built a brand new cogeneration plant for their plant in Sarnia, which I believe provided 80% of their hydro. They ran it for one week and shut it down because they can buy hydro off the grid cheaper than making their own using cogeneration with natural gas. That happened within the last four weeks.

The Chair: Thank you very much for your presentation.

SIERRA CLUB OF CANADA

The Chair: Next, I would ask the Sierra Club of Canada, Shawn-Patrick Stensil, the director of atmosphere and energy.

Welcome, sir. Do you want to start your presentation, please?

Mr Shawn-Patrick Stensil: Yes, thank you. My name is Shawn-Patrick Stensil. I'm the director of atmosphere and energy for the Sierra Club of Canada. I'm on the verge of a cold, so if I squeak, please excuse me and strike it from the record.

The Sierra Club of Canada has a number of chapters across the country, including the Ontario chapter that we work very closely with. We also have a number of individual groups that work on environmental issues. We're very happy to be a democratic organization with an elected board.

As for myself, as I stated, I'm the director of atmosphere and energy. I work on energy and atmosphere issues here in Ottawa. A lot of it has to do with Kyoto, given that we are in Ottawa, but I also work a lot on nuclear power, and I'll be coming back to that in my presentation today.

The Sierra Club of Canada believes that Bill 100 is an excellent opportunity to get Ontario on the road to a more secure and sustainable electricity system. We believe, however, that we must be diligent not to repeat the mistakes of the past. This is our primary concern with Bill 100. While good, it does not address the major problems that have plagued Ontario's electricity sector for decades, and I'm sure you're all aware of many of them. I'll repeat them: the high cost of nuclear power, nuclear power's poor performance, the spiralling emissions from Ontario's coal plants, and the fact that we haven't to this day made any meaningful policy on developing and fostering renewables and our efficiency potential in the province.

In my brief, I go through a little bit of the history. Again, you've probably heard it, but it always helps to reiterate things.

Ontario is in an electricity crisis, and if we look at where this crisis is coming from, I'd like to draw it back to the nuclear question again. We're about to lose our nuclear capacity over the next 15 years, and this is due to premature aging. These plants were supposed to operate for up to 40 years, and suddenly, surprise, they're not lasting that long. So we're losing about 40% of our capacity in a very short period, and we have to be aware of that.

How did we get into this mess? Well, long before I was born, in the 1960s, there was a dream of nuclear power. Ontario hooked on to it and invested heavily in nuclear power. We built 20 plants. There are about 440 plants operating in the world now, as has been mentioned. If you think about that in a global perspective, it's pretty significant, and so have been the costs for Ontario.

What were those promises? Nuclear power would be cheap, clean, reliable and limitless. Well, I think we can

say it hasn't been cheap. The \$38-billion debt that effectively bankrupted Ontario Hydro was largely nuclear. We only need to look at the current retubing of the Pickering reactor to see that this is an ongoing problem.

Poor performance: In my brief to you, I provide a little graph that demonstrates the poor performance of Ontario's nuclear reactors. We see that up until year 10 they operate very well, and then they start to fall off. That has been the great source of problems with having to pump up the production with coal, which has pushed emissions up. So I like to refer to that as our nuclear and coal stations working in a dirty tag team in our electricity mix, and to get rid of one, we have to get rid of the other.

Finally, there's the issue of nuclear waste, which I'm sure hasn't come up a lot but is still an issue. It hasn't been discussed in public discourse lately, but how we're going to deal with this waste for hundreds of thousands of years is still unresolved. If I may quote the current government's own Minister of Northern Development and Mines, he stated that if the federal government attempts to put waste up north, he will "raise hell." I just flag this to say that this is an unresolved political issue and risk that we have to deal with. This is a minister of the Ontario government. Frankly, the promises we heard, again before I was born, that it was cheap, reliable and clean haven't paid out in any real terms.

To go back to what I brought up at the beginning, there's the latest failure of nuclear power, which is its premature aging. We're dependent on a very centralized energy system right now. Forty per cent of our electricity comes from nuclear power, and we're about to lose it. Because we're about to lose it because of technical problems, we're in a crisis. The nuclear industry and nuclear proponents have been turning this on its head, saying, "We need to build more." I think we have to step back and say, "Do we want to build more when this is what got us here in the first place?" Perhaps we need to chart a way out of this.

Going into that, I mention one thing: the dates our reactors are closing. In 2002, I contacted Ontario Power Generation and asked them for the retubing dates, because I knew this was an issue and we could see this was coming somewhere. The response I got was that it was commercially sensitive information. One thing I would like to suggest to the committee is that we need to have much more transparency on the lifespan of these reactors. It is quite a big change to go from 40 years to 25 years. If we're to have a stable transition and make effective policy, we have to know how long these things are going to last, because if one of them goes down, we have to have the backup capacity to deal with it. So that was one thing I would like to flag as well.

To put this in an international context, you've heard a number of presentations that have talked about nuclear power in the world and stated that there are 440 reactors in the world and we're on the verge of a nuclear renaissance. Let's look at the larger trends. Following Three Mile Island and Chernobyl, the world basically stopped building these reactors. There are a few being

built, mostly in Asia; I will give you that. More or less, however, what's happening in Ontario—aging—is happening around the world. By 2030, if you take the average lifespan of a reactor to be 40 years, 80% of the world's nuclear capacity will have to go off-line or risk massive reinvestments to keep it operating. So this is not an industry that's growing.

A number of forward-looking countries have decided to get out of this mess. They've seen the trends coming. One of them that I'd like to mention is Germany. In 2000, Germany passed nuclear phase-out legislation, which should be significant for Ontario, because they saw the same trend. They saw that their reactors were going to need expensive refurbishments, and they made a specific declaration that they were going to phase things out and bring new things on-line.

I'm sure the committee has heard lots about renewable energy that's being put on-line in Germany right now. Well, the two go together. This decision was made in 2000, the same year that Germany passed its renewable energy act. To quote the environment minister of Germany, "We want to start an energy policy for the future. We want to make it a seamless policy. Renewable energy sources, more energy efficiency, saving energy and phasing out nuclear energy are all elements of a responsible and sustainable energy policy."

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Since 2000, Germany has installed 14,000 megawatts of wind power as well as 100,000 solar panels. Last November it shut down its oldest nuclear plant, the Stade nuclear station, and is planning to shut the rest down over the next 15 years. I think this is an informative example for what Ontario may like to examine.

Similarly, Belgium passed legislation in 2002 to close all of its reactors by 2025.

To go back to this, one thing that struck me is that proponents are saying, "We need to rebuild all these reactors." Let's step back and imagine for a moment rebuilding all 20 reactors in the province. Imagine 20 Pickering's, and imagine the past six years where we've had to go through cost overrun after cost overrun after threat of brownout. I would just put that to the committee.

Where can we go from here? First, we need to take energy efficiency as our primary source, I guess to say. A recent study by the Pembina Institute showed that Canada could reduce its electricity by 40%. Bill 100 makes a very good proposal for the conservation bureau. However, we think the conservation bureau should be made independent. The difference between people who want to build supply and people who understand that these lights here could be a lot better and actually get rid of the need to make supply is significant. So we think that autonomy should be in the bill.

On the point of energy efficiency, I'll bring up just how we're not taking this seriously. Last week my mom came to visit and we went shopping for an efficient washer and dryer because she has to replace them. She's about to retire. She sees it as an investment in her

retirement. Energy bills are going up, she doesn't have much of a pension and she wants to get an efficient dryer. What's stopping her? Well, the price is just a little too much for her to invest upfront. Ontario used to have a rebate; we don't right now. It is just really simple things like this that the province can do to bring down demand.

We should also take renewable energy seriously. The Pembina Institute's report estimates that renewable energy could provide up to 30% of Ontario's power by 2020. Again—and this goes for conservation as well—the province should set minimum goals for the deployment of renewables. To ensure this deployment, we should also not be afraid of copying policies that work. Germany's feed law has worked and we should take that seriously. I've read past Hansards and I know a lot of people have spoken to you about that.

Ontario should also learn from Germany's example by declaring an official phase-out. We know these things are coming off-line. Let's stop meandering about whether we're going to rebuild them or not. We know when they're coming off-line. Let's figure out how we're going to replace that supply vis-à-vis new supply or efficiency and make sure the lights stay on and put people to work. Germany now has 130,000 people who work in the renewable energy sector—pretty significant.

Notably as well, Germany is one of the world's largest promoters of Kyoto and they're phasing out nuclear power. This goes against what's usually stated by nuclear proponents, that it is a Kyoto solution. I work on Kyoto here in Ottawa and nuclear power is not part of the federal plan. Why? It's too expensive, it takes too long to get up and there's not a lot of public support for it.

I think with that, that would conclude my remarks.

The Chair: Thanks very much, Mr Stensil. We have three minutes for questions. Mr Chudleigh, you're first on this rotation.

Mr Chudleigh: Thank you for your presentation. I take it that you're not in favour of nuclear power. I'm assuming that you aren't too keen on coal. How about natural gas?

Mr Stensil: Natural gas we view as a transitional fuel but it's something that we can get on-line quickly. It's cleaner, especially—combined heat and power, for instance, are used extensively in Europe, where you boost your efficiency from just burning the gas to actually using it to heat homes and neighbourhoods. The Netherlands produce 50% of their electricity from combined heat and power. It's difficult to name a place in Ontario where we do this. So again, there's another example we could learn from.

Mr Chudleigh: If coal could come in at the same cleanliness rates as natural gas, do you see that as something in the future?

Mr Stensil: No. Again, we have to look at this partly in the long term. What I referenced the minister from Germany saying about getting on to a sustainable energy future—Germany has set a long-term target as well with 50% renewables. What this does is, it sets up a benchmark for where we want to be as a province in 40 years,

say. It's long off, but it sets a standard of where we're going. It orientates industry.

Mr Chudleigh: And you see renewables as wind power and—

Mr Stensil: Wind power, solar, biomass; there are a lot of options out there. A lot of them are still coming in line to be economic at different levels. But Germany, as I stated, installed 100,000 solar panels in two years as part of a government program. That's 300 megawatts. It's taken us six years to try to get Pickering back on-line. Let's weigh our options here on what might be the best way to do it and develop an industry. As I stated, 130,000 people working in jobs is significant. What's more, it's not make-work projects in one area. These are jobs that are spread out in communities across the province.

Mr Marchese: Germany's feed law: What is that?

Mr Stensil: Basically, they give a different rate on top of whatever the base electricity rate is. So a wind producer will have a guaranteed price for a period of time so that they have the stability to get it on. This is also done in Texas.

Mr Marchese: And the renewable is different from the feed law?

Mr Stensil: No, it's the same. It's just different ways—

Mr Marchese: "And/or"; I see.

Mr Stensil: It's a typo, maybe.

Mr Ramal: Thank you for your presentation. When you mentioned that the \$30-million debt came from the nuclear stations, I would say it wasn't just for the nuclear stations refurbishing; the mismanagement at Ontario Hydro also played a big role by creating that debt and it accumulated to \$38 million.

Also, I want to tell you something. I'm not here to push nuclear stations as an alternative to produce extra hydro and renewable hydro. One of our options is nuclear. We listened to a gentleman; I think his name is Dr Jerry Cuttler. He's a scientist who has been working on nuclear energy for a long time.

Mr Stensil: I've met him.

Mr Ramal: He stated that it would cost every individual in this province \$5 per month to produce hydro. Also, the Netherlands doesn't produce 50%. It produces only 20% through windmills. So what do you think about these numbers?

Mr Stensil: They produce 20% through windmills, but I think I just mentioned as well combined heat and power. They have an energy mix; they're not producing it just through wind. That is something no one has ever advocated, having an energy mix of different renewable options, a good push on efficiency. I've included in the package a report by Ralph Torrie that illustrates very well the efficiency potential in the province, and from 1970 to 1998, what we got out of efficiency—his question is, "What would we do if we tried?" I think that's very important.

On the nuclear question again, a new argument is political interference, but we continue to see these cost overruns. Right now at Chalk River, north of Ottawa,

there are two experimental reactors for radioactive isotopes being built by Atomic Energy of Canada. They're over cost and over budget. This has been going on for 30 years.

From working in other provinces—again, New Brunswick has been faced with the same situation as Ontario. It has one reactor that produces 30%. When put to a public utilities commission on whether this would be a good thing to do—a separate independent commission—it said it was economically too risky to be in the public interest, something we should be wary of.

The Chair: Thank you very much, Mr Stensil. We appreciate your presentation.

INDEPENDENT ELECTRICITY MARKET OPERATOR

The Chair: Next we have the Independent Electricity Market Operator; Mr Goulding, the president and CEO. It was the agreement of the subcommittee that expert witnesses would have 30 minutes for their presentations, so the IMO will have 30 minutes. Any amount of the 30 minutes you don't take we'll reserve for questions. Welcome.

Mr Dave Goulding: Thank you very much for the opportunity to appear before this committee. I have with me this morning Bruce Campbell, who is vice-president of corporate and legal affairs at the IMO.

Our appearance here comes on the heels of the one-year anniversary of the August 14, 2003, blackout, the most severe blackout in North America's history, which as we know affected more than 50 million people in Ontario and eight states in the US. We have learned a lot in the past 12 months and as an industry across North America we've collectively taken a number of actions that leave us less prone to the occurrence of such a situation.

I'll talk a little more about that, but first I'd like to make comments around Bill 100. I will leave time to answer questions that you may have, by the way. I've also left two recent IMO publications. One deals with the 10-year outlook for supply and demand of electricity in Ontario and the other one looks at some of the ways that larger customers can better manage their cost of electricity.

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Bill 100 offers an important step in moving forward in addressing some of the issues that have surfaced in Ontario's electricity sector over the past few years. At the Independent Electricity Market Operator, we are committed to doing our part to ensure there's a successful implementation of the new electricity structure that's envisaged under Bill 100.

The IMO was created five years ago as part of the break-up of Ontario Hydro. Ontario Power Generation, as you know, was set up to run the generating plants, while the IMO's responsibilities included directing the flow of electricity across the high-voltage, province-wide network owned by Hydro One and other transmission

companies. We also were given the responsibility of managing and operating the competitive wholesale electricity market and working with neighbouring jurisdictions to manage an integrated North American electricity network.

The IMO is an independent, not-for-profit entity. We are governed by a board whose directors are appointed by the government of Ontario, our fees and licences are set by the Ontario Energy Board and, most importantly, we operate independently of all participants in the electricity market.

That independence will carry forward under Bill 100. Our new board will be composed of the CEO and 10 directors to be appointed by the Minister of Energy. If passed, Bill 100 will require that the directors must be independent and not represent generators, distributors, transmitters, retailers or, indeed, any market participant.

The independence of the board will be complemented by an advisory committee that will provide advice on policy and transitional matters, including technical ones, as may be specified. Stakeholder consultation is an important, in fact vital, part of the way we do business, so this committee will provide critical guidance as we move forward.

Our independence is key for a number of reasons. As the Minister of Energy told this committee, Ontario urgently needs new supply, transmission and demand initiatives to address the potential future shortfall. Our plants are aging, and demand continues to grow. The minister has indicated an investment of \$25 billion to \$40 billion will be required in the sector over the next 15 years.

Maintaining the independence of a system and market operator is key to investor confidence. Investors want a level playing field. They want a level playing field for their transactions and they want a level playing field for their investments. The IMO has no bias when balancing competing commercial interests of the different competing parties across a variety of operational fields and in fact operates in a transparent manner, providing the information and data that participants need to make both sound commercial and operational decisions.

The issues that have surfaced since the market was opened on May 1, 2002, have been well documented; in particular, issues around price, conservation and the need for a long-term integrated plan for Ontario's electricity supply. But there were also success stories during those years.

The wholesale market operated the way it was supposed to, particularly during tight supply-demand periods. It attracted badly needed generation not only from inside Ontario but also from outside Ontario, filling the inter-ties and prompting large customers to cut back or shift their use of electricity when prices were high. In fact, I would claim it was the signals from the wholesale electricity market that kept the lights on during those challenging times in 2002.

The structure the government has introduced with Bill 100 allows large customers and others to continue to

realize the benefits offered to them under a market pricing scheme, while at the same time, the government is moving to put long-term solutions in place to address the changes that will be needed if Ontario is to maintain a reliable, economic supply of electricity for many years to come.

I believe that the source of a good number of the problems that have bedevilled our industry has been the lack of appreciation of the true value of electricity. Provision of electricity below actual cost has bred inefficient consumption patterns and created a deficiency in energy management technologies. This has not only put pressure on the supply-demand margins but also puts pressure on price. If you don't conserve, then you lose in two ways: The price goes up, and you increase your volume.

From our point of view, the market puts a value on electricity that is more reflective of the cost to produce. The wholesale price signals when supplies are tight and can prompt customers to re-evaluate when they use electricity and why, and by lowering demand, we can then lower our supply requirements.

The market provides an environment where shifting electricity use to times of the day when demand is lower becomes more than just a good thing to do but offers real benefits to those who make the effort to change the way they use electricity.

The IMO has been working to promote demand response within the market. Already, some large volume users in the market manage their electricity and their energy use to take advantage of lower-price periods. Our emergency demand response program provides us with an important tool in managing tight system conditions, with an opportunity to have customers reduce demand when we're close to the edge. But we're not nearly close enough to maximizing the potential that demand response can have to help in maintaining a reliable and efficient system.

One of the key barriers that we found is that most customers just don't have the tools or the capabilities to offer demand response into the market. That's why we're embarking on a new program, a transitional demand response program, which is going to support investments in new technologies and acclimatize companies to think and work in more energy-efficient ways.

Other initiatives under development, such as the day-ahead market, will help customers and consumers in general better anticipate prices and adjust their consumption accordingly.

We applaud other efforts to deliver the benefits of the market to the broader consumer base, such as the government's commitment to install smart meters in homes across the province.

By maintaining the role of the market, Bill 100 retains one of the key strengths of the current system. Our wholesale market is a foundation for building a conservation culture, where electricity is used wisely and our supply requirements are tempered by our ability to manage demand. As I've said many times and in many

forums, the only thing we waste more of other than electricity is water.

Now let me address where the IMO fits in with this proposed legislation. While there is a name change for us to the Independent Electricity System Operator, or IESO, our primary roles and responsibilities around the market and system operations, and our independence from market participants, will continue. But going forward, there are other areas where our organization can and should make a difference. We have the skill sets that can help make the changes successful. We can act as a resource that both the Ontario Power Authority and the Ontario Energy Board can turn to in order to meet their new responsibilities.

In creating the new Ontario Power Authority, I would expect that there would be a desire to limit the size of the organization to ensure that resources in the new structure do not present a significant increase in the level of resources that currently exist in today's structure. Turning to the IESO for support will maximize effectiveness in the industry and reduce the need for a major increase in resources.

There will be a need for the two organizations, the OPA and the IESO, to work very closely together. Both the OPA and the IESO will have an obligation to assess system reliability going forward and to make plans and take actions to ensure that there will be adequate supply to meet Ontario's demand for electricity.

The IESO responsibilities are mainly in the shorter term, planning and managing the minute-to-minute operation of the system and looking out over a year or two years or so in order to make sure that that takes place, whereas the OPA planning window will have to mesh very tightly with the IESO time frame and will extend into the longer term.

Decisions made today will inevitably affect the viability of future plans but, equally, the plans for the future can have an impact on the present. Both organizations need to recognize that the plans and decisions they make under their own accountabilities have the potential to affect plans and decisions made by their counterpart. Longer-term actions must lead to a system that can be operated reliably in real time.

The IMO has a number of hand-offs that occur within the organization. These hand-offs can be from one function to another, but also they're between real time and short term and between short term and the longer operational horizon. These address our broad range of accountabilities around integration of the system, managing reliability, directing the operations on the power system and managing the competitive wholesale market.

Similar hand-offs will also occur between the IMO and the Ontario Power Authority, certainly in the domain of adequacy. So this reinforces the need for both of those organizations to work together. We must have a seamless organizational flow, if you like, from the long term down to the real term.

Given all this, the draft legislation does propose that the OPA have the ability to delegate any of the OPA's

powers or duties to either a committee of the board, to a panel established by the board, or to any other person or body such as the IESO.

Many of you will be familiar with the IMO's 10-year outlook, which has, over the last number of years, served as a planning tool for the industry as a whole. We will undoubtedly be discussing with the OPA how best to leverage this expertise in forecasting electricity needs and in assessing the power system. Such a step can contribute to the effectiveness of the new structure while limiting the need for new resources.

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The approach of the new RFP process that has been put into place and that the government is implementing for the 2,500 megawatts of generation and demand-side initiatives is a perfect example of the way the current IMO systems and procedures can be used around and through that RFP process to effectively integrate new resources into the Ontario electricity sector.

With respect to the Ontario Energy Board, the IESO, through its market assessment and compliance unit and the IESO's real-time visibility of the operation of participants, can continue to support the market surveillance panel, just as it does today, albeit the market surveillance panel will now be reporting to the OEB rather than the independent members of the IESO. At the same time, this market assessment and compliance unit would continue to provide operational and analytical support, as it does today, to the IESO.

Turning to demand, there is also a role for us to play in the conservation and demand management efforts.

The November 2002 decision to freeze low-volume customer electricity commodity costs at 4.3 cents per kilowatt hour not only put a halt to many plans that were being formalized to build new generation, but also took away price as an incentive for low-volume customers to conserve. The interim pricing structure, which charges a higher rate for electricity consumed over a base amount, is one step in the right direction to encourage wiser use of electricity.

While the majority of customers in Ontario will be eligible for a fixed rate, there are about 40,000 to 60,000 customers who are still paying the market price for electricity or have signed with retailers. These customers represent approximately 55% of the total demand for electricity in Ontario.

Most of these customers have a limited knowledge of the electricity market or, more importantly, the ways that are available to them even now to realize the benefits of a market-based system. Awareness and education are necessary, and the IMO is working with local distribution companies and trade associations to get these customers the information and tools they need to better manage their electricity costs.

Our Web site, which I would encourage you to visit, by the way, has information readily available, including information to help customers track price, supply and demand trends.

There are other ways the IESO can contribute. As part of our mandate, we coordinate operations with neighbouring provinces and states. Through this, we have established excellent relationships with many North American regulatory bodies such as FERC, the Federal Energy Regulatory Commission, the North American Electric Reliability Council, or NERC, and other reliability authorities. I am also, along with my peers in the US and Alberta, a member of the IRC.

Now, I should pause here. You've probably learned by now that we love acronyms in this business. The IRC is an acronym of an acronym. The IRC is the ISO-RTO Council. The ISO is the independent system operator and the RTO is the regional transmission operator.

Mr Marchese: You memorized it.

Mr Goulding: Absolutely, yes. It appears in all my nightmares. I'm trying to develop a further level of acronyms.

Basically, this is a very important body that we're a member of. What we do is look at a wide range of issues facing North America's electricity system and a lot of common issues that we have to address, ranging from operations to planning to markets to reliability to adequacy.

The reason I mention this is that Ontario cannot operate its power system in a vacuum, and neither can it develop its plans in a vacuum. Liaison with neighbouring jurisdictions is essential. The relationships that the IMO has developed can be utilized for the benefit of the province going forward. I think that's important to recognize and important to retain.

Before I conclude, let me spend just a couple of minutes looking back at the August 14, 2003, blackout. As you know by now, the blackout did not originate in Ontario, nor did any actions in Ontario contribute to its severity. When you look back, it's clear that there were a number of failures south of the border that shouldn't have happened: failures in training, failures in facilities available, failures in vegetation management, failures in accountability, failures in communication—a whole raft of failures that were sitting out there, by the way, waiting to happen at any point in time.

The good news out of this is that it put the spotlight on some of the entities that weren't operating in a proper manner and enabled us, through NERC, to address what we need to improve procedures and practices across the entire industry.

The North American Electric Reliability Council—and we were a significant part of this—has conducted 20 control area audits to ensure that the lessons that were learned are being put into practice. Those 20 audits have covered 80% of North America's electricity supply. Ontario is one of the areas audited.

Ontario, in fact, has been internationally recognized as having in place a leading structure for managing reliability, and the NERC audit confirmed that. The results of the audit demonstrated that the IMO meets or exceeds all of the standards for electricity system reliability. It concluded that the IMO personnel, facilities, tools and

training are excellent and that the IMO has a robust restoration plan that worked well during the blackout.

But despite those high marks, we haven't stood still. We have improved our communications capability, we've worked with industrial customers and others to find better ways of managing tight supplies in future, and in general we have worked with others throughout the Ontario industry to ask, what are the learning points that we got out of the blackout and the restoration?

The point I want to really stress here before I finish is that it's absolutely essential that this diligence and the processes, accountabilities and relationships that we currently have and that put us in a leadership role have to be retained through the transition to the new structure. We can't afford to drop the ball during the transition.

In closing, let me say that the IMO is committed to ensuring a smooth transition to the new structure so that all Ontario electricity customers can count on a reliable supply of electricity for many years to come.

Thank you for the opportunity to appear before this committee. I would be pleased to answer any questions.

The Chair: We have about 12 minutes, and in this particular rotation, the government caucus.

Mrs Cansfield: Before I ask my questions, could I ask you please to explain two things for the committee? Before I do that, first of all, thank you. It was an excellent presentation. I will have some other comments, but just before, could you explain spot market and day-ahead market for everybody here so that we have some understanding?

Mr Goulding: OK, certainly. Spot market: The way we operate the market at this point in time is by matching on an almost continuous basis the offers into the marketplace versus the bids into the marketplace. So a generator will say, "I will provide electricity at this and so price over this and such a period," let's say for an hour. What we do is look at what the demand is on the system, including any demand side that has actually said, "We're willing to pay a given price." If you don't say you're willing to pay a given price, we assume that you're willing to pay any price, because you want the electricity.

So what we do on the spot market—and we do this on a continuous basis but basically we think of it as hourly, although we dispatch every five minutes—is take all of the offers into the marketplace from generators and those who would send power across the inter-ties and we look at how much of that electricity we need in order to meet the demand side of the market. Then, starting from the cheapest, the lowest offers, which might be zero by somebody who actually wants to run and will be a price taker in the marketplace, we put the generation together in blocks of offers—it might be 100 megawatts from here, 20 from there, 500 from here, 1,000 from here—until we reach the point where we have enough electricity to meet the demand and also enough electricity so that we have a reserve margin from the generators to be able to accommodate any shortfall. That's done on a rotational basis, a continuous basis, and every hour there's a new

set of prices that will come out of that. That's the spot market.

Then, within the hour, we will actually dispatch every five minutes. So from within those offers, the demand never stays the same. It increases or decreases continuously. We have a need to continuously adjust those outputs, of the marginal plants particularly. So every five minutes we may send out a different signal that says, "OK, will you increase your output by this amount or will you decrease it by this amount? You're the marginal plant on the system." That's a continuous process in terms of matching supply and demand, and that's the spot market which operates within a day.

The day-ahead market to a great extent operates on a similar principle to the spot market, but what the day-ahead market does is start more than a day out and over the following day, a 24-hour period, takes all of those different offers, both from the supply side and the bids, if you like, from the demand side, matches them together and gives a day-ahead indication of what the prices might be, a day-ahead indication, particularly to generators and loads, of how they might actually be going to operate, so they don't get the sudden changes that are more likely in the spot market. So you get more stability, more opportunity to act further in advance in the day-ahead market.

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Mrs Cansfield: Thank you very much. Now my questions. I'll preface my questions with some remarks. First and foremost, I'd like to thank you for your presentation. One of the things I've always appreciated is that you're very candid and when you say you're going to do something, you do it, you follow through. I think it stands Ontario in good stead, not only in the past but in the future, that you have run a very complex organization that very few people understand and you've done it well. It's praise well deserved, and I can tell you it also comes from the United States. I participated in a forum in the Midwest, and they sang the praises of the IMO, so it's justified on both sides of the border for the work you've done.

I also appreciate that you've been able to look at your proposed role in the new legislation, how you can function and the things you can do. I think you've identified how important it is for the people to work together in the new power authority. I would be particularly interested in your thoughts around the procurement process. When I look at the type of expertise you bring to the table and the number of years you've been in this very complex industry, I think you have a great deal to offer in terms of that kind of information. I don't know if you have the opportunity now, because it is complex, but maybe in the future—those kinds of options. The same with the governing process, around those: Again, you've experienced that, and I would be interested if you could bring some of that information forward.

I guess the last thing is that I hope this committee will take the opportunity to go to the IMO in Clarkson and really look at the complexity of your organization and also have an opportunity to appreciate and value the work you do.

The Chair: We're trying to arrange for that. The question? We do have several minutes. I'd like to get everybody in on this rotation if we could.

Mrs Cansfield: You can bring them to me later or do it now.

Mr Goulding: We'll do that later, then.

The Chair: Ms Wynne.

Ms Wynne: Part of my question—the explanation of the day-ahead market—was answered. But I had a question about where that is. Is there a plan for the day-ahead market to be put in place? What would be the cost to do that? I'm not sure where that's at, and I've actually had questions about it in my office.

Mr Goulding: We've done an enormous amount and continue to do an enormous amount of stakeholding around the day-ahead markets. At this point in time, our plans are to move ahead with the day-ahead market. Quite frankly, I don't see that the day-ahead market could be introduced, because of its complexity in terms of all the systems that would need to be put in place not only at the IMO but by participants, until sometime in 2006. So it's not around the corner in terms of next week or next month.

Ms Wynne: And do you know if there are costs associated with day-ahead?

Mr Goulding: There is a cost, and we're still trying to get to the bottom of what the cost is going to be. It's certainly going to be several millions of dollars, but on the other hand, we're also looking at the significant benefits that we think we'd get out of it.

Ms Wynne: That's the other part of the question: What would the savings be?

Mr Goulding: We're trying to quantify them as much as we can, which is not a simple matter. But certainly on a qualitative basis, there would clearly be improved price stability that comes out of this for consumers. There's a great opportunity for increase in demand response, particularly with the day-ahead signals as opposed to the day at hand and, I would hope, through both of those, an increase in the inherent reliability of the power system. Those are benefits that are difficult to quantify, but in a qualified way, that's what we're seeing.

Ms Wynne: OK. My second question was about the transition. In your speaking notes, you went through a number of things that we had to be sure were in place or were attended to in that transition. I wasn't able to write them all down, but is there a key issue that we, as members of the government, should be paying attention to in terms of the transition to make it smooth?

Mr Goulding: Absolutely. I think the IMO—the IESO. Sorry, I still think of us as the entity formerly known as the IMO.

Ms Wynne: Well, the bill's not passed yet, so you still are.

Mr Goulding: That's right. I did take my lead from a pop singer.

The relationship between the IESO and the OPA is absolutely crucial. You can't afford to have plans that

don't mesh, you can't afford to have processes that are different, otherwise you'll get different results.

Ms Wynne: So that's the key. Thank you.

Mr Goulding: That's the key.

The Chair: I want to get Mr Chudleigh and Mr Marchese. Mr Chudleigh?

Mr Chudleigh: Is it key enough to ensure—why break them up? You used to be doing this yourself. Why would two bureaucracies be better than one?

Mr Goulding: We didn't do this ourselves, actually. What we did was produce forecasts looking out 10 years, but we had no accountability or authority to go out and actually put forward power contracts or RFPs in that particular context. This is a new responsibility being given. I guess the government must feel they need a particular focus in this area. Really that's all I can say about that.

Mr Chudleigh: In conservation, controlling the demand side of electricity, I've heard figures that the potential is 5% of the market and I've heard figures that it's as high as 40% of the market. Do you have any insight about what an aggressive program to conserve electricity might produce in a savings of generation?

Mr Goulding: First of all, you tell me what number you like and I'll tell you which expert to pay, just as in many other areas. My own opinion, for what it's worth, is that an aggressive conservation program over time could probably be up to a 10% saving in demand. But I think that's got to be aggressive, and like most curves, there's a bit of a point where it becomes more and more expensive. I think 10% is realistic, but it has to be sustained, it really has to be driven home. People have short memories sometimes.

Mr Chudleigh: Thank you very much.

Mr Marchese: I have a few questions. You were talking about how 40% of consumers have a capped or blended price and that 60% would pay the market value.

Mr Goulding: It's closer to 50-50, but in terms of demand, yes.

Mr Marchese: Is it fair to say that the spot market—the wholesale market—and the retail market influence what the other 40% pay?

Mr Goulding: Certainly. Going forward, in fact, you'll see a number of elements in there. First of all, you'll see some smoothing due to the regulated prices given to some of the Ontario Power Generation assets. Secondly, going forward you'll see some of the participants still able to go out there and use the spot market as well as going to their own contracting. And then you've got the Ontario Energy Board, which will be providing regulated prices which one presumes will be set infrequently but which will be intended to capture the true value. Now, going forward, what I expect to see is a whole combination of different tools, from forwards to contracting to spot market. My expectation is that over time, the spot market's main value is as a balancing market to recognize short-term changes that will always happen in this business, either due to demand increase—hot days—or equipment failures, and the spot market will

still be the best tool available for ensuring that the plant that should run on a day is the plant that does run on a day because it's the most efficient, no matter what the contracts look like.

The Chair: Gentlemen, I want to thank you for your very informative presentation. We're going to set up a tour on September 16.

Mr Goulding: Thank you. I look forward to seeing you.

The Chair: The committee stands adjourned. Lunch is an hour; we'll be back about 5 or 10 after 1.

The committee recessed from 1208 to 1305.

LARGE LDC COALITION

The Chair: I now ask that the Large LDC Coalition come forward: Toronto Hydro, Hydro Ottawa, Hamilton Hydro, Enersource Hydro and PowerStream Inc. Gunars Ceksters, the president and CEO, will make the presentation. Welcome, gentlemen.

Mr Gunars Ceksters: Thank you, Mr Chairman. Good afternoon, everybody. I think there were handouts provided to all. Thank you for providing our coalition of large local distribution companies this opportunity to appear before the standing committee on social policy.

The Chair: Being an expert witness, you have 30 minutes. Any time you don't use will be left over for questions.

Mr Ceksters: Thank you. My name is Gunars Ceksters. I am the president and CEO of Enersource Corp, which is the parent company of Enersource Hydro Mississauga, serving the city of Mississauga. I am speaking before you today not solely on behalf of our company but also as a spokesperson with respect to certain commonly held views of the six largest municipally owned utilities in Ontario.

With me here today are Dave O'Brien, president and CEO of Toronto Hydro; Brian Bentz, president and CEO of PowerStream, which is the amalgamated group of utilities for Markham, Vaughan and Richmond Hill; Art Leitch of Hamilton Hydro; and Michael Angemeer, president and CEO of Veridian Connections. Unfortunately, Ron Stewart from Hydro Ottawa wasn't able to attend this afternoon. He sends his regrets.

Together, our six utilities serve over 1.5 million customers in Ontario, in the largest urban centres of the province, with a combined peak customer load of 10,700 megawatts and a combined customer base of 1.5 million customers.

Each of us within this coalition represents the front line of service to customers within our respective service territories. Considering this relationship, we commend the province for adopting the positions it has taken on several issues that are very important to both our customers and our companies.

We have divided our joint presentation today into those initiatives within Bill 100 that are supported by the coalition and then certain specific areas of concern that

we wish to bring forward. Let me walk you through some of these items.

One of those initiatives capturing our full support is the identified need expressed by the government and in Bill 100 for stabilized yet reality-based pricing for smaller customers. Customers have made it clear to us that they dislike volatile pricing. As a province we learned that lesson very well during the hot summer of 2002, when demand was very high and capacity was very short, resulting in wildly varying commodity pricing to the residential consumer that was directly exposed to spot market pricing. We believe that stabilized pricing can provide predictability while recovering the true cost of electricity over a reasonable period of time.

Bill 100 establishes a reasonable approach to keep electricity costs transparent and within the electricity system.

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Stabilized pricing can also include predictable time-of-use pricing, which can incent conservation and demand response. In our view, better price response will be achieved through the use of smart meters, as announced by the government.

A second initiative supported by our coalition is the explicit responsibility for long-term planning and system adequacy that would be assigned to the new Ontario Power Authority under Bill 100.

While some might contend otherwise, it is our view that the establishment of the OPA does not displace competition, nor does it create an unaccountable bureaucracy. In fact, we believe this body will supplement the competitive market with an identifiable and responsible agent. In our current situation, with considerable need for investment in new generation supply and significant untapped potential that exists to curb electricity demand through effective conservation, we support the formation of the OPA and the goal of the province to develop an integrated power system plan that appropriately coordinates supply-side and demand-side resources.

We do recommend, however, that the OPA should be a transitional authority. Suggested indicators of the appropriate time for this market transition modifying powers assigned to the OPA are, in our view: when there is the prospect of a liquid market in the province, with multiple buyers and sellers—we need more suppliers of power rather than just having OPG and Bruce Power; when rates are in place to foster commercially sustainable investments in conservation and supply; when smart meters are available to assist consumers in responding to market prices; and finally, when there is a healthy balance established between supply and demand.

At that point in time, we would suggest that the OPA be removed from its operating authority and another mechanism developed.

A third initiative supported by the coalition is the bill's improved focus on demand-side and distributed generation resources.

We think Bill 100 will encourage development of demand-side resources through better identification of

roles and responsibilities, coordinated through the new conservation bureau.

We fully endorse the province's assignment of demand-side management—DSM—to local distribution companies like ourselves. We welcome the opportunity created by Bill 100 to develop alternative and renewable energy sources.

We will undertake customer communication programs with the expectation, of course, of prompt cost recovery. Amongst our coalition alone, I should note that we have collectively spent approximately \$100 million in market preparations, with much still to be recovered, related to the various stages of restructuring of the electricity market that has occurred to date.

We support and anticipate the development of a voluntary, co-operative relationship with the OPA and the conservation bureau. In this new relationship, we recommend that a flexible framework be established for LDC implementation of demand-side management programs and the expansion of distributed generation through utilities and utility affiliates.

Institutional rationalization is another welcome initiative. We endorse the mandate of the OEB as an independent regulator to provide industry stability needed to attract capital investment. We also endorse the re-configuration of responsibilities between the IESO and the OEB. This will integrate regulation of the wholesale and retail segments of the industry. Certain seams issues experienced in the past around the interface of the wholesale and retail markets should also be mitigated under the new configuration.

Our coalition also supports the need for industry representation on stakeholder advisory bodies for the OPA and IESO, as spelled out in Bill 100. The IESO and OPA will have a very significant influence on the business of utilities. Conversely, utility activities will be important to both the IESO and the OPA. There will be an ongoing need for communication and co-operation between LDCs and each of these entities. We therefore recommend that regulations related to Bill 100 should further provide reserved representation for the utility sector on the advisory bodies of both the OPA and IESO.

Getting to some specific concerns as mentioned earlier, we would like to raise attention to the partial supply obligations that are found in section 29.1 of the bill. If the intent of partial supply is to foster the development of green energy, we think it would be more cost-effective for the OPA to include green energy in its portfolio, and the OEB should include the costs of green energy in the regulated supply mix. We suggest this, as the cost and time for utilities to adapt their billing systems will be very significant. Also, given the history and the current status of regulatory assets, utilities would require prompt recovery of implementation costs associated with changing their billing systems.

A second focus of concern of our coalition is the application of the Municipal Freedom of Information and Protection of Privacy Act, covered in subsection 142(7). First of all, we support open and transparent disclosure of

senior management salaries, director compensation and related third party transaction costs. Utilities incorporated under the Ontario Business Corporations Act should be distinguished, in our view, from municipalities. We think these LDCs should be subject to disclosure requirements that substantially mirror those of investor-owned utilities under the Ontario Securities Commission, meeting public reporting requirements for compensation, benefits and related items consistent with other public reporting entities. Competitive affiliates of LDCs should not be subject to MFIPPA. The legislation as written puts us in conflict with the affiliate relationship code from the OEB. The obligations would place LDC affiliates at a prohibitive competitive disadvantage with private sector companies.

A third specific concern that we would raise is the issue of cost recovery of DSM expenditures related to section 29.1 and to be further defined in regulation. While we completely support the province's conservation and energy efficiency goals, we believe that if we are to make rapid progress on achievement of these goals, mechanisms must be developed to support the LDC in this regard. This must provide ongoing funding post-2005 for DSM undertaken by utilities and assurances of prompt and full-cost recovery by utilities for current and future programs. Mechanisms must also ensure that utilities are held harmless from DSM-related revenue erosion. Finally, these mechanisms must provide meaningful, cost-effective incentives for utility DSM and distributed generation initiatives.

In summary, we support many aspects of Bill 100. This bill is an important framework helping to achieve stable electricity prices, responsibility for long-term planning, improved focus on energy efficiency and distributed generation, industry representation on OPA and IESO advisory committees and co-operative relationships with the conservation bureau.

Three areas of concern that we specifically recommend be given further consideration relate to the partial supply arrangement in section 29.1, the application of MFIPPA to commercial companies, and the importance to our coalition of full-cost recovery of DSM expenditures.

On behalf of the coalition, thank you once again for this opportunity to present our views.

The Chair: Thank you very much. You have taken about 10 minutes for your presentation, which will leave 20 minutes for questions, and in this particular round in rotation, Mr Marchese, you're first, followed by the government and then Mr Chudleigh.

Mr Marchese: A couple of questions. I think you all support the smart meters that the province is talking about. That would involve considerable cost, obviously, to someone, because the province talked about installing about 800,000 by 2007. Some people say the cost might be 300 bucks or 400 bucks, and someone would have to pay that. In your view, if people had to individually pay for that at that cost, do you think, first of all, they would do it, and secondly, given what is possible in terms of

what could be shifted off peak hours, are there enough savings for that individual to merit that kind of an expenditure? So there are two questions.

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Mr Ceksters: There are two questions there, and I'll start with the first one. In my view and in the view of most of the participants on the panel here, the rate increase that we'll be getting in 2005 would be used for conservation purposes, and that could be used for the cost of the implementation of smart meters.

In relation to how much can be saved, that's still up for review, but I would suggest that, as Dave Goulding said at 11:30, an objective of about a 10% reduction in capacity usage in the province is achievable. A lot of that is achievable through residential consumers and the use of smart meters to assist them in planning their consumption of power.

Mr Marchese: What is it that you anticipate people might shift to that would get to this 10%, and is that based on any research or just from thinking about how people might be able to shift power usage from whenever it is to whenever? What would they be shifting from, and to what, and do we have the studies that say it would be a 10% reduction?

Mr Ceksters: There have been studies done in the States, particularly in California, where they had a huge reduction over a 10-year period, that has shown no marketable increase in power use over the last 10-year period. That was directly attributable to conservation on behalf of the users of power in the state of California.

I'm sorry. What was the second part of your question?

Mr Marchese: I'm just wondering what it is that people might do at 10 o'clock in the evening, other than washing their full load.

Mr Ceksters: Shift load, basically: put timers on their washers; put timers on their dishwashers.

Mr Marchese: Dishwashers and washing clothing—

Mr Ceksters: And put controllable thermostats in the home to use less power during peak times. There are some simple things that consumers can do to really have an impact on the province's load requirements.

Mr Marchese: A 10% reduction. Interesting. I didn't think it was that high, based on what I've been looking at or hearing.

There's another question that some people have raised. I know you haven't talked about it and I'm not sure it fits into your world view, but people have talked about GATS and NAFTA in terms of the possible implications they would have to Ontarians in general. Once you get into a contract with NAFTA, unless you've got some protections, whatever protections you can fit into a NAFTA agreement around issues of energy—and GATS is a little more complicated in terms of what's going to go down the pipe, because a number of countries in Europe and the US are interested in putting hydro into that mix. Have people reflected upon the implications of that to the objectives of governments in terms of how you get caught into a contract that is irreversible? As a suggestion, if you can get more money in the States, and

energy gets delivered there because they need it and you can get a higher price, we can't say, "No, because we've got to serve our people first." Is that a consideration for you guys at all?

Mr Ceksters: That is a concern of ours. However, this group has not addressed it in any way at this point. We don't have the answer for that.

Mr Marchese: I'm worried the government is not addressing it, either. Although there was a question the other day in Windsor and the minister said, "Oh, yes, we looked at that," or "We have a legal opinion," I'm not convinced he's got a legal opinion. I'm not convinced that the government has reviewed the implications. So it is of interest to me that people who are thinking about it begin to put on paper, reflecting on the long-term effects of this, what those implications are and what we should be doing with the federal government to say, "We've got some serious concerns around this." I guess I'm urging this group to reflect on that, to spend some time on legal opinions to see whether or not it serves your interests and the larger objectives.

Mr Ceksters: We'll take that under advisement.

Mr Marchese: You're in favour of opening up the market to the broader sector in terms of getting into the creation of energy and the distribution?

Mr Ceksters: Yes, definitely. We need some private sector investment.

Mr Marchese: Do you really believe—because there's some doubt about this—and is it your sense that people will find it attractive to come and invest in Ontario in new power generation?

Mr Ceksters: Right now there's an RFP on the street, and I'm sure we'll be seeing very shortly what kind of response we get. But my feeling is that there will be quite a strong response.

Mr Marchese: My sense is that unless people can be guaranteed that they're going to get a certain price for this risk investment—because if there's no serious shortage, you might not get a whole lot of people saying, "Yes, this is the right time to come in." So while there are requests, we'll get a good sense of whether or not there might be some interest, but it's possible we might not get the high level of interest we're looking for. If that's the case, what do we then do? Enron, I understand, is probably not interested in coming here to Ontario, because they're staying home. But if that's the case, what do we do?

Mr Ceksters: Well, I think at that point the OPA and the government would have to review the RFP and see what needs to be modified to allow further responses to come in. What are the problems that are deterring the responses?

Mr Marchese: In your view, if government has to give a lot more in terms of guaranteeing certain contracts, certain prices, is that, in a competitive market, a good thing for a government to do?

Mr Ceksters: I think in this particular market it's something that will have to be required to be done in order for investment to come into the province. We've

seen private shareholders telling us they want some guarantee over a longer term before they start spending \$100 million putting plants in the province.

Mr Marchese: But if it's a truly competitive market, isn't it wise for these people to simply say, "Yes, we're coming in. We're going to bid into the market and hope for the best," because that's really part of the competitive system, isn't it?

Mr Ceksters: Unfortunately, the market is still in its development stages, so what is the market? The legislation hasn't been passed, so the investors are saying, "Put a stake in the ground, let us work to it."

Mr Marchese: Right. Other comments?

The Chair: Could you please just identify yourself for Hansard, sir?

Mr Dave O'Brien: My name is Dave O'Brien, and I'm with Toronto Hydro.

With respect to the marketplace, I'm not sure we, as a group, should comment on government policy per se, but let me say the marketplace is now made up of a combination of generators. There are the baseload or heritage assets that belong to OPG that, I suspect, the citizens of this province would be loath not to use and incorporate into the system because of the fact that they're there and they're reasonably priced. There is also, in addition to that, a need for additional generation. As long as there's a balance between the use of the heritage baseload assets and the new generation—and perhaps that is a role for the OPA, to blend the pricing—you will probably get an attractive enough price for the consumer in the long run. I think the marketplace right now is really a combination of those two, and you can't separate those two.

Mr Marchese: But I was thinking, if we don't get an interest—

Mr O'Brien: You will get an interest. I can tell you there's an interest out there already. In a former life, I was the city manager of Mississauga, and in our city there are gas generation facilities right now that are ready to go, fully approved EAs through the municipal planning process ready to go. All they have to do is put the RFP on the table and they will apply.

Mr Marchese: I guess my question is, they're ready to go as long as they can be guaranteed a certain price, no?

Mr O'Brien: They have to recover their investment.

Mr Marchese: And make some money. There's some risk here, and so the risk is usually what costs us, the Ontario consumer, a little more, right?

Mr O'Brien: Well, you're not going to get generation in this province without paying for it. The new generation in this province is going to cost more than the heritage assets, which were built a long, long time ago.

Mr Marchese: Well, you see, my concern is, it's going to cost us, no matter what, whether the Ontario Power Authority, which can't bid, by the way—this is a concern of mine; it cannot bid. You're saying, "Don't worry. We'll have a whole lot of private people there ready and interested and we'll build new generation because they're interested."

Mr O'Brien: That's my personal view of that.

Mr Marchese: I hear you; I'm just debating with you. I'm worried that if there is not enough interest unless governments give enough incentive for them to get in—and the Ontario Power Authority can't, by this bill, get into the game—how do we deal with the fact that nuclear plants need to be refurbished—very costly; coal plants are being wiped out, so to speak; and very little new generation is coming in? At some point in the next couple of years, we have serious problems, right? Because even if people come in to build, they may decide to pull out, they may not build in time, and all of that produces a great deal of uncertainty that worries me a little bit.

Mr O'Brien: Well, I can't comment on whether or not nuclear plants should be rebuilt or not rebuilt; that's the decision of government. All I can say is, from my experience, there will be private sector investment in this province, unquestionably.

Mr Brian Bentz: Ultimately, I think all the market participants are looking for is predictability of price and some creditworthy party—

The Chair: Sir, your name, just for Hansard. Could you just identify yourself.

Mr Bentz: It's Brian Bentz from PowerStream. I think investors are anxious to get into this marketplace, but they want stability, they want predictability of price and they want a creditworthy counterpart. If they can have those things, then I think the market will find an equilibrium. Where that equilibrium is, relative to today's prices, we don't know. You have to let the market forces evolve and compete.

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Mr Marchese: The spot market: Isn't that the unpredictability of the system? Isn't that what you're getting into when you get into the spot market?

Mr Bentz: You are, but I think what the bill contemplates is a hybrid approach to pricing, which I think is a good intermediary step to evolving to a fully competitive marketplace. It's looking at regulated prices where there was no competition in the past. We've seen this with the market power mitigation agreement, where we've had subsidized pricing, effectively, in the past, but the energy consumers haven't seen that. That's where we're seeing the difference between the wholesale and retail prices accumulating as a debt that is being borne by the OEFC, but it's not transparent to consumers, and it should be. So I think this legislation takes us in that direction, and I think it's a good first step in that regard.

The Chair: Quick questions from the government side. I also want to work in Mr Chudleigh at the same time, because this is an important presentation.

Mr McMeekin: Mr Chair, part of my question was answered around the reference to the hybrid approach. The government's trying to find some balance here. There's an old saying that good judgment is based on experience, and experience invariably on bad judgment. So we damn well better get it right this time, because the

consequences of error are, in my opinion, just too dramatic.

That having been said, I want to say for the record that I don't think every company out there is an Enron either. It always gets lifted up as the example of the evil company that went off the rails, and woe is us. I think there are a lot of very good companies that have a lot to do.

I have also said for the record that my constituents aren't lining up and saying, "Please, Mr MPP, spend another \$10 billion a year and just add it to my taxes." So if we can find a way to shift some of the risk and risk management, I think that's part of the government's approach too.

I have, really, a kind of philosophical question I want to ask around the meters. Since the goal of demand-side metering is ultimately conservation, someone suggested to me in my riding the other day that when they're installed, there ought to be a differential price, that those large consumers that are swallowing all kinds of power maybe aren't as conscious of conservation, versus the little old lady. How would you feel about the government having a differential price, with those large consumers paying a much larger share of the installation costs for meters and, conversely, those who are conserving paying less?

Mr O'Brien: I think for the smart metering program to be successful, there's probably going to have to be some price differentiation. I would concur with that.

Mr McMeekin: Good. So you'd support that.

Mr O'Brien: Yes, I would concur with that. We'd all be in that same vein. If you look at—and I don't want to talk in a partisan context here in any way, shape or form, but when the price was frozen, there was no incentive at all. None. For whatever reason that was done, that's fine. I'm not debating why it was done. I'm talking about the issue itself. When the price was unfrozen and allowed to move, there was not a lot of push back that I found.

Now, the mitigating circumstance in that was the blackout. Had the blackout not happened, would there have been some reaction to an increase? I don't know. But the fact of the matter is, the blackout was there. When the prices were lifted, people said, "Yes, I think I can probably afford to pay a little more, as long as it's going to stabilize the system."

Now, that's the issue. As that price increases and the cost of power increases, the public, I believe, personally, will accept it, as long as there is an alternative. The alternatives are methods that the government can put in place to allow them to conserve energy, and thus reduce the price. As long as they're done in combination, I think you've probably got a pretty good opportunity for the public.

Mr McMeekin: So, on balance, we're on track. Thanks.

The Chair: Ms Wynne, if you could keep the question short and, for the expert witnesses, the answers short. I really want to give everybody an opportunity, and Mr Chudleigh is waiting patiently.

Ms Wynne: I will only ask one of my two questions, and I'll just comment. The first one: I just want to acknowledge the billing issue. It has been raised with us before, and I think it's something we're going to have to keep talking about, the confusion that could ensue.

My other question is about the dissolution of the OPA. You talked about it as a transitional body. When I look at its objects, they seem to be things that are going to need to be done for a long time, in terms of long-term forecasting. I know there's a provision in the bill for the body to be dissolved. You said that you thought there should be another mechanism set up once it was dissolved. Could you just talk about that for a moment?

Mr Ceksters: Certainly from our perspective we feel that there are other mechanisms in the market that could exist. LDCs in collaboration—creating load-serving entities—could pick up some of the requirements that the OPA is doing right now; in other words, pick up some of the risk that the government is taking—slice it up, provide it to the marketplace and have the market pick up some of that risk.

Ms Wynne: So you're seeing the LDCs doing that forecasting function? Is that what you're saying?

Mr Ceksters: We have to provide the input material to the OPA or the IMO now. We have to do it right now. We provide the inputs.

Ms Wynne: So it just wouldn't be a centralized function; it would be a more decentralized function. Again, I guess that's something we're going to have to keep talking about.

Mr Ceksters: It would fit nicely into distributed generation in the long term as well.

The Chair: Mrs Cansfield, very quickly.

Mrs Cansfield: Very quickly. Thank you very much for your presentation. I would ask that you put in writing, or find a mechanism to get them to whomever necessary, the regulations as you might see them evolving, so that you have some input into the three areas you have identified. I think that's really critical. You've identified the areas. Now I'm asking, if you have some solutions, would you put them in writing and make sure that this committee gets them or get them directly to the ministry?

The Chair: I believe they're going to do it. Mr Chudleigh, please.

Mr Chudleigh: Many of you have very large industries in your cities. Have any of you worked with those industries or talked to those industries about cogeneration opportunities?

Mr Ceksters: Yes, we have.

Mr Chudleigh: Is there anything forthcoming out of that?

Mr Art Leitch: I'm Art Leitch. I'm with Hamilton Hydro. We're working with the steel industry in Hamilton to develop a possible project for cogeneration using waste heat from the steel process to not only generate electricity but to generate hot water. We have a district heating system in Hamilton now, and this would be an expansion of that system. So there are some real

opportunities there for cogeneration using waste energy from industrial processes.

Mr Chudleigh: What about conservation authorities and some of the dams they have? Do any of them have enough head to be practical for cogeneration or to generate?

Mr Leitch: It's very small. It's not significant.

Mr O'Brien: The only additional energy you'll get out of the river system now is the basic run-of-river flow, the normal flow. The damming system is almost complete.

On behalf of Toronto, we, as a utility, are probably going to aggregate a lot of the demand-side management issues, with respect to the submission we have to make to the OEB with respect to our next rate increase. So we will be working with our industries on cogeneration, the whole demand response program that's going to be part of that. That's probably going to be quite common across utilities in Ontario.

The Chair: Thank you very much, gentlemen, for a very informative and thoughtful presentation.

ENVIROCENTRE

The Chair: Next I'd like to call forward Envirocentre and Dana Silk, general manager.

Good afternoon, sir. You may proceed.

Dr Dana Silk: My name is Dana Silk. I'm the general manager of EnviroCentre. Mr Chair, MPPs, ladies and gentlemen, I'm actually going to skip the introduction of EnviroCentre—it's on the first page; you can read it—but I will say that I have 12 people working for me on residential energy efficiency in Ottawa. I believe that is probably the largest team of people—certainly in Ottawa—working on residential energy efficiency in the field and probably a larger team than any LDC in Ontario. And that's a problem.

I'm going to address some of the obstacles we have faced in the city of Ottawa over the last five or six years in trying to improve residential energy efficiency. One of them is a question of perspective.

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Several months ago, a Globe and Mail editorial noted that nuclear power provides about 45% of the energy used in Ontario. Eyebrows should be rising about that. Installed nuclear capacity in Ontario could generate about 45% of Ontario's electricity, but certainly not its energy. Currently, nuclear power generates about 35% of Ontario's electricity, but because electricity accounts for only about 21% of Ontario's total energy budget, nuclear power really currently provides only about 7% of Ontario's total energy consumption. Somebody needs to tell the editors at the Globe and Mail that 7% is a far cry from 45%.

I'm saying that because we need to put this in perspective. We need to keep in perspective the desirability and the importance of our centralized electricity production system, including the grid. Under successive governments, what is essentially an old-school approach,

one that hasn't changed for decades, has landed us with a \$38-billion debt, and that's just the debt we recognize. Worse still, practically all of our eggs have been put in this basket over the last 40 years and the basket has become frayed. It's fragile and it's highly vulnerable, as we learned last summer. Let me make it clear that we don't need a bigger basket. We need to fix the basket that we've got, but we need now to invest in many smaller, more robust baskets spread across the province.

In this age of increasing global inequity and strife, we can't rely on security forces to protect our electricity grid. We've got to improve both the reliability and the resilience of our electricity system, not just the grid. The quickest, cheapest and most equitable way to do so is to focus on conservation and decentralized sources like cogeneration, for which there is enormous potential in Ontario, and for which very little action has been taken. That's followed by renewable energy sources. Among other things, this will require shifting our use of electricity away from wasteful applications, like space heating, to ensure that we always have enough electricity to run the basic services we need in Ontario: hospitals, telecommunications, water treatment plants and refrigeration. That's what we need to do.

When I was executive director of the Conservation Council of New Brunswick, I made a presentation to the full cabinet which included four recommendations to reduce the demand for electricity, which is a very important issue: Invert the rate structure; surcharge for peak load consumption; restrict the use of electric heating; and increase total interruptible power.

I'm pleased to see that one of those recommendations was implemented earlier this year by the government of Ontario, and I look forward to the introduction of smart meters to pave the way for the second recommendation. My only regret is that it has taken almost 30 years for any action to be taken on my recommendations, and the government of New Brunswick still hasn't acted.

Lifeline rate: As you should know—this is the standing committee on social policy—low-income households should never have to choose between paying their electricity bill and paying for food and shelter. Unfortunately, they cannot unplug the beer fridge in the basement to save electricity, because it is still in the kitchen. Bill 100 needs to legislate the new lifeline rate for the first 750 kilowatt hours per month to ensure that low-income households do not suffer unduly from increasing rates.

Full-cost pricing: There is no doubt that prices for electricity in Ontario must increase significantly over the next few years, and by "significantly," I'm talking about doubling. Even if we were to double electricity rates, people in Ontario would still be paying less than what most people in France are currently paying and far less than what people in Hawaii are currently paying. Of course, it will be much easier to do this in the early years of a mandate rather than toward the end of a mandate of any particular government, as we learned a couple of years ago.

That's why the inclining rate structure, which is now in effect, also needs to be legislated in Bill 100. The last

thing the Ontario electricity sector needs is another government that changes its mind because of political pressure. When your constituents complain to you about electricity rates going up, you have to bear in mind that the most recent Stats Canada survey of household spending clearly shows that the average household is not spending more on electricity; it's spending 25% more on cell phones, 31% more on satellite TV, 18% more on gambling and 19% more on tobacco. So don't be bullied into keeping electricity rates below their true cost.

Bill 100 unfortunately still favours increased supply and does not provide an adequate foundation or direction for major investments in electricity conservation and renewable energy sources.

The explanatory note is quite revealing in this regard. It contradicts the commitments of the minister and the Premier to create a culture of conservation by explaining that the purpose of the bill is to "promote the expansion of electricity supply and capacity." In fact, the purpose of the bill is to ensure "adequacy and reliability," as correctly stated in the bill. On the other hand, the explanatory note notes that the enactment of one section will ensure that participants, over time, will "pay the true cost of electricity," but this crucial phrase is dropped from the actual legislation.

The same section of the bill requires the OPA to "ensure that Ontario Hydro's debt is repaid," but says it only has to "encourage" conservation, "facilitate" load management and "promote" cleaner energy sources.

Given the institutional momentum and conflicting interests of the OPA, Bill 100 is doomed to fail if it does not legislate the paradigm shift that is needed to achieve a conservation culture, not simply at OPA but throughout Ontario society. Bill 100 should mandate OPA and the OEB to require conservation, to pursue load management, and to achieve specified levels of renewable energy sources by certain dates. You can choose your own verbs, but they have to be better than "encourage."

Bill 100 should also address, in fact redress, the current imbalance between inefficient, centralized generating plants and more efficient, decentralized sources, including conservation.

Both the task and the position of the conservation bureau should also be strengthened. It should be required to do much more than simply "provide leadership"; it should be required to deliver results. To do so, it needs to be strategically placed within the OPA or, perhaps better, established as an independent agency.

Finally, Bill 100 and amendments to the OEB Act, which it includes, need to do more than simply "permit" the promotion of energy conservation; they need to incent or at least require it by legislating the lifeline rates I referred to earlier, by legislating the inclining rate structure, which is so important to drive the market in the right way, including time-of-day rates—there's no sense having smart meters if you don't have time-of-day rates. It's just a waste of time. We also have to prohibit bulk metering of residential and commercial clients.

The Chair: Thank you very much. We have about five minutes left. On this round, Mr Chudleigh, you're first.

Mr Chudleigh: I have no questions.

The Chair: Mr Marchese, please.

Mr Marchese: If we were to require that conservation be part of anything anyone does, how do we do that for the private sector, which is obviously what the government wants more of? I mean, Ted reminds us constantly that he has constituents out there who worry about the bills. Either way, whether you've got a private sector or the Ontario Power Authority building, someone has to pay. What incentive does the private sector have to conserve, and how would we do that with them?

Dr Silk: Are you talking about industry?

Mr Marchese: Industry, private sector; yes.

Dr Silk: First of all, you don't really have to worry too much about industry. Industry has made enormous gains in productivity in Ontario related to electricity consumption over the last five to 10 years because industry, despite what has been happening in Ontario, knows they're going to have to invest, and they have been investing, in more efficient uses of energy, notably electricity.

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What industry needs is a predictable, long-term policy. Industry cannot react to the flip-flops on electricity pricing in Ontario. Industry needs to be driven by knowing that the costs for electricity really are going to be the true costs, that they are going to go up and you're not going to backtrack.

Mr Marchese: Right. You raise two different issues. They are automatically efficient. Therefore, we don't have to worry about them doing any conservation. You use the word "efficient."

Dr Silk: I didn't quite say that, but—

Mr Marchese: But you said they're efficient. Therefore, I'm assuming that—

Dr Silk: They're more efficient, much more efficient, than they used to be.

Mr Marchese: Right, and because they're efficient, much more than they used to be, therefore, conservation is really not an issue for them.

Dr Silk: It is an issue. It's an issue that you have to worry less about because most large industries—except this hotel chain, which is using incandescent lights up here—have full-time maintenance staff, engineers, who are costing—

Mr Marchese: I hear you, but I'm saying—it's Dana Silk?

Dr Silk: Yes.

Mr Marchese: We have to worry less about them, but we still need to worry about them. You've just raised the issue of this bill as an example. So how do we convince them, or require them, to do conservation in their own industries?

Dr Silk: You have to legislate stable price increases in electricity, and you've got to legislate it so that when

your constituents start complaining, you can't change your mind. You've got to legislate.

Mr Marchese: All right. I think your answer to my question, which I'm not grasping, is that if they have a predictability of price, then somehow conservation will happen. Is that what you're saying?

Dr Silk: One of the reasons why industry is much more efficient these days in terms of its consumption of electricity is because major industries are already investing, have invested, in cogeneration. They are using and they're recycling their waste products, and they're generating electricity. That's happening. It is not happening in the commercial and residential fields.

Mr Marchese: With respect to a conservation culture and conservation in general, what specific suggestions, again, do you recommend for individual society or governments to engage in so that we are actually going to save a whole lot of energy through the use of whatever it is the people should be doing? I think you might have mentioned one or two, but do you have a list of suggestions, other than smart meters?

Dr Silk: Sure. There are all sorts of suggestions. In fact, the province of Ontario has produced a pretty good book. It's a little unfortunate that it's talking about conserving energy when really the intent of this book is to help people conserve electricity. We've got to be careful here of what we're talking about. Are we talking about energy or are we talking about electricity? We're dealing with \$50 billion, even more, of perhaps capital investment, \$38 billion of debt, and we still haven't figured out, and the Globe and Mail hasn't figured out, what we're talking about.

If we're talking about electricity, there are many, many things, but very few of these will work in an effective way unless you've got the price signals there.

Mr Marchese: Dana, just in relation to the question, you pointed to that booklet, but they're very modest proposals, what this government is recommending vis-à-vis conservation. Would you not agree that it's very modest, what they're proposing?

Dr Silk: No. In fact, the inclining rate structure is an historic action for a government or utility in Canada. I believe we are now the only province in Canada that has an inclining rate structure. It's historic. The lifeline rate, I believe, also is historic. It is fundamental. That's why you have to legislate it so that you can't back out of it, because you will be under enormous pressure when the electricity rates begin to creep up to their true cost.

Mr Marchese: Thank you.

The Chair: We have a minute left, 30 seconds for Mr McNeely and Donna Cansfield, the PA.

Mr Phil McNeely (Ottawa-Orléans): Dana, thank you very much for that presentation. It was excellent. I was very interested in your work at the city, of course. When I was there as a councillor, I was on your board.

The former city of Ottawa, when they came into the amalgamated city, had a better buildings program, and its intent was to lower greenhouse gas production, but it ties also into energy conservation and what we're talking

about today. This program was disbanded by the new city in 2001, and Chuck Wilson, who was with it, left.

I'm just wondering—that has a big impact on greenhouse gas emissions. I think it was identified by the federal government as having the biggest impact of all your contributors, and also would have some impact on energy. How do we get the cities back into that program that SCM has been promoting? How do we get them into it in a bigger way, in both producing better houses—because we're producing houses that need refits—and get the commercial, industrial and residential stock in? How do we do that?

The Chair: Quickly. Less than a minute.

Dr Silk: One minute? Well, we can't do it in less than a minute.

We do it primarily through institutional changes, the directions to the OEB that have already worked. The better buildings program was a result of the OEB doing DSM on the gas side. It's beginning to do that on the electricity side. We need to incent Hydro Ottawa, because every dollar they save in electricity conservation, they lose, and that's why they can't invest in it.

The Chair: The PA, Mrs Cansfield, quickly.

Mrs Cansfield: David, you identified throughout your presentation a number of areas where things could be improved. Rather than in the bill, it sounds like they would be in the regulations; for example, the principles by which the conservation bureau would work or the things that it could do. Could you put that in writing in terms of how you see that might be more enabling, so that we could present it to the ministry staff for the regulation portion of how they establish the conservation bureau in particular?

Dr Silk: Sure.

Mrs Cansfield: I appreciate that. Thank you.

The Chair: Thank you very much.

CENTRE FOR ENVIRONMENTALLY SUSTAINABLE DEVELOPMENT

The Chair: I'd like to welcome the Honourable Charles Caccia. Welcome, sir. I know you've just completed 26 years as a member of the House of Commons, and a very distinguished record.

Mr Charles Caccia: Thirty-six.

The Chair: Thirty-six. Sorry; 1968, right? There we go.

Interjection: Even more distinguished.

The Chair: Even more distinguished. Mr Adams says hello to you.

Mr Caccia: Thank you. Let me briefly thank you, Mr Chairman and members of the committee, for this opportunity to appear before you, to congratulate you for holding meetings on beautiful days in the summer, which requires a major sacrifice, and also to say that anything that deals with energy bills requires the wisdom of Solomon to arrive at a satisfactory conclusion. It's a very complex issue. I'm sure you will have that wisdom guiding you in the end and that the study of Bill 100 will

be a very rewarding one, as it was for me to read the bill as it is in the present form.

There's no doubt it is a good framework and it is a good start in the right direction. The amendments that I would submit for your consideration are outlined in the brief that has been distributed, I understand, and they are based on certain premises, which are also outlined on page 1 of the brief I have prepared for you.

The first amendment deals with subsection 1(d), in which I propose some wording that would aim at establishing a timetable and a target for renewables. I understand there are many other organizations that have made the same point, proposing similar percentages, so there is no need to elaborate too much on that point; you must have heard it before.

The second amendment deals with the question of protecting low-income people in Ontario from the desirable and necessary increases in future rates. Here, before you look at an amendment, you may want to see the model set up for refunds for people below a certain income across the country by the GST system. Maybe the GST offers a model that can be adopted in refunding the cost of any payments for electricity by Ontarians at low incomes. I would call those payments social shock absorbers. They're necessary, though, considering the trend in the rising cost of fuels which generate electricity.

The third amendment deals with subsection 1(i). That is wording that would give a signal to the renewables industry that the government is supportive, and therefore introduces for the renewable energy industry certain incentives that are necessary in order to reach the 25% level that is proposed in the first amendment I have submitted for your consideration and to reach by 2020 a 25% level of renewables.

Evidently, the industry has been given insufficient positive signals, and that is not only in the case of Ontario but also in the case of the government of Canada.

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Finally, I am submitting for your consideration a new subsection, 1(k), that would make it mandatory to price electricity at the retail level to include the cost of decommissioning all the plants and the safe disposition of the waste generated by such plants. This is a very controversial item because, as you must have already heard, the nuclear industry is claiming that this cost is included. As far as my experience goes, those costs are only paper entries, that fund does not exist in reality, and therefore it is an issue that will cause a tremendous amount of research if you want to carry it out in order to establish what is really the fact. I have been unable over the years to establish the existence of that fund in reality.

You may also want to look at the way that bills are submitted to the consumer. I have here bills by Hydro Ottawa and Toronto Hydro. If you read them carefully, it is a major challenge to discover what the cost per kilowatt hour is. It is actually an impossible challenge to meet. Hydro-Québec instead produces bills which give the consumer at least the courtesy of informing him or her that there is an amount for the first 30 kilowatt hours

per day at 0.49 and then above that lifeline, so to speak, then the cost jumps to 0.62, and it is embedded in the bill itself. But Ontario retailers have a tremendous skill in wording their bills in a manner such that nobody knows what exactly they're charging.

Before opening it up for questions, Mr Chairman, I would like to bring some publications to your attention and that of the committee.

Might I say that energy and electricity are part of the same coin that deals with the issue of Kyoto. Ontario can, and might want to, play a major role in the reduction of greenhouse gas emissions at the rate perhaps of 40%, as it has been traditionally. I don't know what the plans are, but certainly in your deliberations Kyoto probably looms very strongly.

The item that struck me most in reading this bill was the fact that the bill is the product of a culture of supply and that we are having enormous difficulties as a society in moving from supply to demand. That is proven also by the text of PowerShift, Toronto Hydro's latest newsletter, summer 2004. The first sentence of the newsletter begins with the phrase, "Ontario faces a real energy supply challenge." Why not a demand challenge at the same time, and perhaps more a demand challenge than a supply challenge? I suspect that for you, politically, this will be the most difficult item, in the end, to resolve, as to which way Ontario should go.

As to publications, and to conclude, may I bring to your attention the existence of a study by the International Energy Agency, which produced Electricity End-Use Efficiency, where on page 19 there is a reference to the fact that "the capacity for additional savings may be on the order of 10% to 20% over a period of about 20 years or more. If a portion of this potential could be achieved, the anticipated growth in total electricity demand might be reduced." This is an observation that is made throughout the OECD countries.

Another publication, in this case by the OECD itself, is entitled Energy: The Next Fifty Years. It has a passage that I would like to draw to your attention. It's on page 13 mainly, the passage concerning oil reserves. According to at least the OECD, to which we belong, the recoverable oil stocks, even if they were to be coming on-stream, the mid-depletion point for oil would be about 2018 or 2019. So we are rapidly approaching a point when the cost of oil as a source for the production of electricity, where it is used, is going to climb very rapidly.

In the case of housing and the construction of housing, you may want to look at the statistics related to the construction of R-2000 certified houses. Our figures are only until 1995, but the statistics are not very encouraging. The statistics related to house builders trained in R-2000 standards are also not very positive. You may also want to look at the statistics in Ontario, at least, related to the average thermal energy requirements of houses.

I also bring to your attention the fact that Peat, Marwick and Stevenson conducted a study, The Eco-

nomically Attractive Potential for Energy Efficiency Gains in Canada, 10 years ago. Since then, the same group might have produced something that may be useful in your deliberations before starting clause-by-clause.

Finally, there is a publication that attracted my attention. It was a study done in 1989, the Ontario Nuclear Cost Inquiry, which I think has another name in political jargon; it was the Brooks and Bowers report. On page 8, in its conclusion, it informs that their committee, the select committee, "requested that treasury discuss any scenarios in which Hydro's borrowing could adversely affect the government's financing options." You may want to have a look at that as well in dealing with clause 13, I believe, of the proposed bill.

Thank you very much for this brief opportunity. I wish you well.

The Chair: Thank you very much, Mr Caccia. We have about two minutes for questions. The government side starts this time. Any questions for Mr Caccia? No questions. Mr Chudleigh, would you have—

Mr Chudleigh: Yes, just a comment that the electricity bill that Ontario produced, I would agree with you, is very difficult to read, but I want you to know we brought it in for the purpose of clarity. So it's an excellent example of never letting a committee do anything. Thank you very much for your presentation, sir. It was very good.

The Chair: We still have one minute. Mr Marchese.

Mr Marchese: I appreciate your recommendation around how we help low-income consumers, because that's a concern to many of us. At the moment, we estimate the government is spending one dollar to help low-income people for every \$20 extra they are paying. We heard other speakers before you who indicated prices need to go up, and at least the previous speaker said we need to protect those individuals who are of low income. I'm profoundly worried, given the current way we're helping low-income people. If we've got to jack up the prices one way or the other, I'm not totally convinced the support is going to be there for low-income people. So I was thinking the members might be speaking to your suggestion here, and I hope they will take that into account.

Mr Caccia: Well, the previous speaker, Dr Silk, if I understood him correctly, made reference to the fact that, actually, of the percentage of total expenditures in the household, electricity expenditures have lagged behind the increases in expenditures related to other items in the average family, which, I thought, was a very valid observation. But the fact is that we, as a society, consider electricity as being a free good, a limitless good, and therefore it's only a matter of supply. While, this may have been true in the 1970s, when Ontario Hydro was advertising more and more consumption and was urging everybody to consume—you remember those ads, I'm sure—now we have entered a completely different phase and electricity is no longer that good or that easy. The fact is that energy is an insatiable monster and it will never be fed sufficiently. So we, as a species walking on

this ground, have to decide where to draw the line and how, and the sooner we do it the better because we have this large issue ahead of us, the implementation of Kyoto, which in part depends on electricity decisions.

The Chair: Thank you very much, sir. A very thoughtful presentation.

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PUBLIC INTEREST ADVOCACY CENTRE

The Chair: I'd now ask the Public Interest Advocacy Centre to come forward: Michael Janigan, the executive director. Welcome, sir.

Mr Michael Janigan: I would first like to thank the Chair and the members of the social policy committee for affording us an opportunity to address the committee on our concerns associated with the Electricity Restructuring Act of 2004.

The Public Interest Advocacy Centre is a non-profit organization based in Ottawa that provides legal and research services on behalf of consumer interests, and in particular vulnerable consumer interests, concerning the provision of important public services. Since 1976, we have been particularly active in the fields of telecommunications and energy.

PIAC has been a frequent intervener, generally on behalf of low-income or fixed-income groups in proceedings before the Ontario Energy Board, with respect to rates and policies for natural gas, local distribution companies and the periodic review of the restructured electricity industry. We also publish extensive reports in this area on issues associated with the restructured electricity markets, and many are accessed through our Web site. The Web site address has been included in the speaking notes that I have distributed.

As I've indicated, rather than attempt to survey the great forest of issues of importance that are associated with this act, we would like to try to concentrate on several trees within that forest that are of particular concern to our organization and our representation on the board.

The first issue is associated with fair and predictable prices. Section 1(f) of Bill 100 states that one of the objects is to protect the interest of consumers with respect to prices and the adequacy, reliability and quality of service.

If the current price cap is lifted, then the standard supply plan prices could be higher if the average cost of power from the generating resources is more than 4.7 cents a kilowatt hour. Although volatility may be less than in the past, there could be a significant price shock and resulting undesirable socio-economic impacts and real hardship for low- and fixed-income electricity users. While it is ultimately important to have prices align with costs, the OEB must be allowed the flexibility to ensure that the initial price of OPG's regulated generation is not set above the current capped level and a transition to full pricing should be facilitated by reducing the return component of the price or other means. If this is not

done, then the OPA may need to have the financial resources to smooth the transition to a market-related regulated price.

The second issue is the extent to which only the costs beyond OPG's control are to be passed through, and the extent that use of variance/deferral accounts should be allowed. The overall goal must be to create consumer confidence in the level and stability of the regulated standard supply option based on OPG's regulated assets. The previous pre-price-cap spot price pass-through mechanism was unacceptable from a consumer standpoint.

It also goes without saying that distributors should not be allowed a mark-up or return and allowed only reasonable costs of administering the standard supply plan. As best as we can determine, there is no explicit provision in the bill or in the draft regulations in this regard. We note that the investor-owned gas utilities are not allowed a return on the system gas supply equivalent of the standard supply plan.

The second aspect we'd like to address is maintaining consumer choice. The standard supply option must result in a standard supply plan option that is market-based, just as for natural gas system supply. The availability of a pool of regulated generation resources by OPG should lead to reduced price volatility relative to natural gas. However, the price must not be higher as a trade-off for achieving lower price volatility.

There will be pressure from participants in the retail competitive market to create restrictions in the name of competition that are aimed at creating an unfavourable price differential between standard supply and the market price, and other features that will differentiate standard supply from retail competitive alternatives in a negative fashion.

We saw this before in 2000 in relation to standard supply. Retailers, including affiliates of regulated utilities, lobbied the OEB in the standard supply hearing to allow only a spot price pass-through price, rather than the longer-term contracted supply. The result, predictably, was extreme price volatility when the retail market finally opened in 2002 in a tight supply environment.

PIAC's position is that maintaining consumer choice requires maintaining standard supply as a stable, competitively priced option. Many fixed- and low-income consumers prefer to contract with their utility for energy and do not want to sign up for longer-term arrangements with marketers, regardless of incentives and sales pressure to do so. The OEB must be vigilant to prevent erosion of the attractiveness of the standard supply option.

The next area is providing DSM or demand-reduction solutions. Section 1(b) of Bill 100 states that an object is "to encourage electricity conservation and the efficient use of electricity in a manner consistent with the policies of the government of Ontario."

Section 39 allows for the OPA and distributors to provide services related to electricity conservation load management or the use of cleaner energy sources. The distinction between supply-side enhancement, SSE, and

demand-side management, DSM, is that the latter are to be delivered directly by the distribution utilities and the costs recovered from ratepayers.

This places considerable onus on the OEB to ensure that cost-effective DSM is delivered and that ratepayers benefit directly. On behalf of VECC, PIAC has had ongoing battles to ensure that gas DSM programs are cost-effective and benefit low- and fixed-income consumers. While the emphasis by environmental groups is on broader societal goals by means of DSM, we tend to advocate for cost-effective measures that result in real bill reductions for consumers. In addition, we do not support incentives other than lost distribution revenue adjustments. For us, there is no good rationale for the current shared savings mechanism that the board has allowed for one of the two major gas utilities.

We note that the board has issued its preliminary guidelines for distributor DSM programs. We hope that these are just that: preliminary in nature. We have major concerns about the lack of market potential studies such as those Ontario Hydro conducted in the 1980s before launching its DSM programs; the lack of avoided-cost studies; clear methodology for screening of DSM programs; portfolio management; cost allocation; and lost revenue adjustment mechanisms.

This approach could be contrasted with that adopted so far in the Power Smart programs in other Canadian jurisdictions such as BC and Manitoba. These programs include tried and true conservation measures. In addition, the programs are vetted in consultations with stakeholders and the cost-effectiveness reviewed in rate cases. That type of review may admittedly be a much taller order in Ontario, given the number of utilities involved. However, without a rigorous coordinated approach to program design and definition, we could have a boondoggle of major proportions.

The other disturbing aspect of this plan is not only that it is not clear who is in charge, but also that there is no indication of a process to work with stakeholders to ensure that Ontario's electricity DSM programs will be cost-effective and will achieve the goals of both consumers and government.

This comment leads to my final topic, the new approach that the OEB is taking to stakeholder participation. For over 20 years, the Ontario Energy Board has maintained a policy that encouraged informed public participation and ensured that the board had the benefit of the best information from the stakeholders so that it could determine rules, policies and rates in accordance with its statutory mandate. The mechanism by which this was accomplished was a system of cost awards, wherein an intervening stakeholder was allowed to obtain reimbursement for the costs of intervention when that intervention was responsible and contributed to the board's understanding of the issues of the case. The cost award payment was made by utility energy providers and recovered in rates as part of regulatory costs.

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For rate-paying customers, the cost award system has been spectacularly successful. Notwithstanding the fact

that the OEB allowed recovery by both non-profit and commercial interveners, our studies have shown that interventions funded by cost awards have cost ratepayers less than 2% of the total monetary amount removed from rates—that is, saved by ratepayers—by the board in the course of the funded interventions. Our friends at the Canadian Consumer Council have calculated this cost at about \$1 per year per utility customer.

Other policy-oriented proceedings concerning such matters as utility affiliate purchasing rules, the provision of standard electricity supply or rules for expansion of gas transportation systems have also been enhanced by the use of cost awards. While positive results in the latter proceedings are somewhat more difficult to measure, it is important to note that the most successful elements of electricity restructuring to date have involved proceedings where there has actually been informed public participation. When policy was set by behind-the-scenes manoeuvring or by a coterie of heavy thinkers and well-heeled players in the know, the practicalities of real-world considerations intruded with often controversial results.

We are accordingly alarmed to see that the OEB seems to be marching resolutely down a road consistent with the board becoming a combination of energy czar and exclusive boutique, rather than an independent, open and knowledgeable arbiter of rules and rates. Despite demanding and obtaining substantial monetary increases to their own budget, the board has decreed that important OEB proceedings to determine rules, codes, policies and design frameworks for the energy industry are being conducted outside the normal processes that provide for informed participation by way of the reimbursement of participant costs. Equally distressing is the fact that the OEB has publicly expressed a preference for proceedings that are not bound by precedent and the facts before it. We cannot conceive how this seeming return to the operating style of governance of a bygone era is going to help ordinary consumers.

In fairness, the board has suggested that it has found a new technical objection, based upon statutory interpretation of the provisions of the OEB Act, that prevents the historical use of cost awards to enable public participation in proceedings that are convened to discuss and set policy in a generic fashion for the energy industry.

Currently, subsection 30(1) provides that “The board may order a person to pay all or part of another person’s costs in a proceeding.” The OEB currently interprets that subsection 19(2) is a barrier to making such an award in a generic proceeding in which an order may not be forthcoming. That section is reproduced in my notes: “The board shall make any determination in a proceeding by order.”

The board, in contrast to its previous position, now maintains that, because the policy-making proceedings across the industry do not result in an order, its cost award provisions are inapplicable. We disagree, and note that section 20 seems to negate that interpretation. However, we do not have the resources to litigate on that point.

We note that the amendment to subsection 30(1) proposed in this bill adds the words, “or process,” to the conclusion of subsection 30(1). Unfortunately, “process” is not defined, and we are concerned with the possibility of other limiting interpretations. Accordingly, we would request that the committee give consideration to the amendment of section 30 such that it would adopt the language of section 20 to read as follows: “The board may order a person to pay all or part of another person’s costs in a proceeding or in all matters before the board under this or any other act.” Someone suggested to me, just prior to this meeting, that this may also be accomplished by incorporating that definition into the definition of process at the beginning.

While this amendment will defeat the form of the technical objections to resourced public participation, it may do nothing to curb the new-found appetite for a method of operation that is, perhaps unknowingly, geared first and foremost to reconciling the interests of major industry players with chosen policy elites. The discontinuance of the necessity to have your theories and rules tested in an open hearing with participants playing on a level playing field may be superficially attractive and possess some veneer of efficiency, but it will be ultimately ruinous, economically and politically, if the guardians of the public interest get it wrong, bereft of the meaningful participation of all stakeholder groups.

I apologize for taking up all of my time, Mr Chair.

The Chair: Mr Marchese, you’re up on this rotation. You have about 30 seconds for a quick question.

Mr Marchese: Thank you very much for your presentation.

CLIMATE ACTION NETWORK

The Chair: Next we have the Climate Action Network, Mr Bennett, executive director. You have 15 minutes, and any time you don’t use we’ll reserve for questions.

Mr John Bennett: My name is John Bennett. I’m the executive director of the Climate Action Network of Canada. As the name implies, we’re concerned about climate change.

A little bit of background on the network: We’ve been around for about 15 years. We have about 100 members, representing all of the provinces and two of the territories, and a good half-dozen of those members are from Ontario.

I’ll try to keep my presentation as brief as possible. I’ll confine it to three areas: conservation and efficiency, renewables, and nuclear power.

I’d just like to add that the network supports the submission by the Greenpeace Foundation, which is a member of our organization, with the specific line-by-line comments that were made.

On conservation and efficiency: We think the Ontario government’s announcement to close the coal-fired power plants was probably the most significant and positive announcement by any government anywhere in

terms of reducing greenhouse gases. But we have been in this debate for 15 years and we'll hold our applause until we actually see it done. Unfortunately, what we haven't seen is any kind of connection between the announcement to close those plants and the federal government's climate change plan for Canada in which it makes an offer through its partnership fund to assist provinces in achieving the goal of reducing greenhouse gas emissions. There are huge opportunities here which we haven't seen discussed at all. There has been an agreement in principle signed between the province and the federal government but there's nothing specific on how the federal government could help to finance this closing of the coal plants, which in turn could also be used to help develop conservation and efficiency programs.

What we have to do in Ontario is put conservation and efficiency at the top of the list instead of the bottom. I know it's more attractive and more interesting to cut ribbons in front of power plants and windmills, but it's more cost-effective and more environmentally protective to not use the electricity in the first place.

There were a few questions earlier and I might just interject them at this point: How do we deal with commercial and industrial operators to encourage them to conserve and be efficient? Why is it that the building code allowed this room to use at least 20 100-watt incandescent bulbs where they could be replaced with compact fluorescents that use about one fifth of the power? Why isn't that in the building code? Why are there thousands of houses under construction in this province today that don't meet the R-2000 standard when that standard was developed in the 1980s? These are very simple things that all three of the parties represented here today had the opportunity to put into law in the last 15 years and failed to do so.

In terms of the closing of the coal plants, we can actually achieve about a 40-megaton reduction in greenhouse gases in Ontario that is not in the federal plan. There are 60 megatons missing in the federal plan and now we have 40 tons more from Ontario. This province should be looking to the federal government to assist in that closing.

In terms of residential use, I have some direct personal experience. I ran the green community initiative in Belleville in the mid-1990s and our numbers indicated, with over 1,500 green home visits, that we were reducing the average electricity use of a residential homeowner by about 10% just by having a nice chat with them and showing them where the opportunities were in their house. I also had the experience of having that program discarded by the provincial government, without thought or regard to the implications of what it would do.

As we talk now about creating a conservation bureau, I am reminded that at the same time the green initiative program was cast aside, we shut down the conservation branch of the Ministry of Environment and Energy. What's the difference between the conservation branch and the new conservation bureau? This bureau should become an independent agency. It should not have to

report to the engineers who are talking about building new plants and setting prices for electricity. It should be on its own, have the responsibility to generate the huge savings that are possible. I would challenge this committee to give me \$900 million and then shoot a gun; let's have a race to see who can come up with 500 megawatts of savings first, and how much money will be left over in my pot compared with what's going to be left over in the OPG's?

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On renewables, the bill does not give enough clarity that this is something we want to have happen. It's the same stuff we've been hearing for the last 10 years: "Gee, isn't this a good idea? We'd like very much for it to happen. Maybe if we're nice about it, it'll just occur." That's not the way it's going to happen. What we need is a clear policy that we're going to make it happen. To do that, I would suggest that Ontario adapt the German feed-in law or alternative tariff, as we heard earlier today. This is the simplest and most beautiful system ever devised for getting new supply on-line quickly and efficiently and at very low cost. It works like this: The province sits down with the wind industry and says, "How much will it cost for you to build windmills and supply electricity over 15 years and guarantee the price?" Then anyone who builds a windmill plugs it into the grid and we have electricity—the same for solar, the same for biomass, the same for all the other reasonable renewables. That way, we get it all happening. We don't go through a cumbersome system of making bids to the province and applying to the federal government so we can get the wind incentive program if we're the first guys across the line.

I'd like to conclude on nuclear power. Nuclear power's not a solution to climate change. In fact, in Ontario it's a cause of climate change and has been for the last 20 years. Because of the nature of nuclear power, it requires very high peaking capacity from fossil fuels, and when nuclear power fails, you have to burn those fossil fuels to supply the baseload that you thought you were just going to use on peak. What we don't see in Bill 100 is any end to the favouritism that the Ontario government continues to show toward nuclear power. Why wasn't Ontario Power Generation required to go through an RFP program that was complicated and put forward a proposal and go through public scrutiny before the Ontario government gave it the go-ahead to spend \$900 million of our money, knowing full well that we're not talking \$900 million but we're talking a lot more than that? There's a favouritism in this system that's built in. It was built in and tilted every situation in the last 25 years since I first picked up a placard and marched against building another nuclear power plant. It's always tilted in favour of nuclear power despite the facts, despite the reality.

In conclusion, I'd just like to say make conservation and efficiency your main mode of supply. Create an independent conservation authority to do that. Adapt the German model to Ontario so we can actually get renewables being deployed at the rate of one windmill a

day, as they're being deployed in Germany today—one every day; 50,000 people working on wind alone in Germany, and five years ago there were a couple of hundred—because they have one law that says, "If you build it, we'll buy it." That's what we need to do in Ontario. Of course, the last point is, forget about nuclear power. Decide to phase it out and just quietly close down those plants as they become extinct, because they're going to do it on you whether you pay more money or not.

Thank you very much. I appreciate the opportunity.

The Chair: We have about six minutes for questions. On this round, Mr Chudleigh, you're first.

Mr Chudleigh: I have no questions.

The Chair: Mr Marchese.

Mr Marchese: We had a doctor the other day in Windsor who talked about nuclear and talked, of course, about how safe and clean it is. He even said that down the line, whenever that would be—I don't know if it's a thousand years from now or whatever—people would want that radiated material, that they would want to buy it, in fact. So there are a number of people who obviously believe this, that it's safe and clean and that you don't have to worry about how to decommission it or, presumably, store it and worry about how safe it is. There's a whole body of people thinking it's the cheapest and safest. Obviously, you don't agree, right?

Mr Bennett: Well, \$38 billion, half of them broken down, cost overruns every time we've tried to build one. I don't know where he gets his logic, but I'm glad I'm no longer the lunatic fringe. If he wants the 40,000 tonnes of nuclear waste in Ontario, give it to him. And yes, we could sell it. I'm sure the North Koreans would love to buy it and the Iranians would love to buy it. We've already equipped the Indians and the Pakistanis with the technology to build bombs. Both those countries are recipients of CANDU reactors from Canada. This is a technology that doesn't meet any of the tests. You have to take some risks to generate electricity or energy. Why take risks you don't need to? If you can get it from a windmill or a solar panel, why would you build a nuclear power plant?

Mr Marchese: John, obviously people are saying that nuclear creates 40% of our energy—I think it was disputed earlier by somebody else; I forget—and gas generation or hydroelectric is another 8%, 9%, 10%. If we are not going to refurbish these nuclear plants and we close down the coal plants, you're saying that through an aggressive conservation system—what the government is offering at the moment, in my view, is very modest, but you're saying that with a good, aggressive conservation system and incentives for renewable resources, we shouldn't have a problem, that we could do it.

Mr Bennett: Climate Action Network commissioned a report called *Kyoto and Beyond* in 2002. The conclusion of that report is that by 2030, if we decide to do it, Canada could meet its electricity needs with existing hydraulic power, if we make that the goal and we actually work toward it. Now, there would still be some

little bits here and there of other forms. But generally speaking, we waste half the electricity we generate, and that is the source of supply that we should be seeking most earnestly at this point in time. Certainly, if we look at California and other places, we see that the return is much quicker through efficiency and conservation, and it's long-term. One little law that says all commercial buildings have to use compact fluorescent light bulbs and we save a fortune in power and we don't have to build another plant to supply it. That's the answer, not wasting any more billions of dollars on something that's going to break down five years from now.

The Chair: Ms Wynne, a question? You've got one minute.

Ms Wynne: So you're advocating legislation over attitudinal shift. I mean, you see legislation as the way to shift attitudes.

Mr Bennett: I don't distinguish them. I think the public expects that when they go to buy something, it should be based on standards of producing and that it's efficient, that it's the least polluting possible. We should provide the laws that do that for them. It shouldn't be up to every individual to be an energy-calculating machine every time they make a decision to purchase something. You should be able to go and buy a car that's efficient. When you go in to buy a fridge or a stove, you should select based only on the colour and the shape, not on the energy efficiency of it.

Ms Wynne: So there should be that framework and that clarity in place.

Mr Bennett: In fact, Ontario has the capacity to do that and did some of the groundwork already and has a number of regulations for efficient appliances. But it needs to go further and it needs to carry it into the buildings and require them to be installed.

Ms Wynne: A lot of what you're talking about and the vision of the society you're talking about is, as you suggested at the beginning, where we want to go. I think the speed at which you'd like to get there is perhaps not possible. I mean, we're talking about taking out the coal plants. We can't take out the nuclear plants at the same time, because the lights won't go on.

Mr Bennett: I believe I said to phase them out as they retire themselves. The question is, if you look especially at the Pickering rebuild, you can argue that it was mismanagement, which I've heard today, or you could say, "Look at the situation. You're in a panic to do it." You decide this week, "This is what we have to do," and you think, "Oh, I missed something." When you read the Manley report, what it says to me is that the technology drove the mistakes of management, not the other way around. They had to get it done, it was urgent to fix it, and they went about it in the way they thought was best, and each of the 13 times the board said, "OK, we'll pay more," it was because they had to; they had no choice. It reminds me of Pete Seeger on the Smothers Brothers show back in 1968. He said, "We were knee-deep in the Big Muddy and the damn fool said to push on." Well, once you're halfway across the river, is it better to go forward or to go back?

Ms Wynne: We're going to try to go forward. Thank you very much.

The Chair: Thank you very much, Mr Bennett.

Mr Bennett: You're welcome.

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STEPHEN THOMAS

The Chair: I now ask Mr Thomas to come forward. Mr Thomas, you presented to us in Windsor on Monday. I would ask that you provide us today with any new information that you might have relating to Bill 100, and that was the agreement of this committee this morning when we allowed you to come back for a second time. You can start your presentation, sir.

Mr Stephen Thomas: First, let me thank you again for the opportunity to present to you. Let me reiterate my willingness to meet with anybody, any interested parties in the rest of the week, while I'm here.

I don't want to go over the ground on the timing of the closure of the coal plants again. You've heard plenty of evidence on that and you will have formed your own opinions. Also, on whether the private sector can be relied on to come in on time, again, you will have heard plenty of evidence. I'd just like to reiterate and expand a little bit on four points that I made.

The first one is on GATS and NAFTA. I think the important thing to say is that nobody goes into a reform expecting it to fail. The California authorities did not reform their industry expecting it to fail. So the reality is that these reforms have proved risky, and I think the committee needs to seek clarification on GATS and NAFTA to make sure that it's aware of the implications under these agreements of any system it proposes and to ensure that there is an orderly exit strategy, should the reforms fail. If you're going to be locked into a failed system, then I think that would be the worst of all worlds.

The second point I'd like to make is on the nuclear power plants. Again I'd like to stress the urgency of making decisions and making sure the resources are available to carry out those decisions. One decision could obviously be the closure of these plants. That would be a very difficult thing to carry out, given the lead time to replace that very large amount of capacity.

If the decision is to refurbish the Pickering B plant, we've heard in the press this week that it is showing signs that decisions will be needed soon on its refurbishment. The Bruce B plant is a similar age and that will also need decisions soon. The two Bruce A units, which are out of commission, will also need decisions on their refurbishment, and we have two units of Pickering A which are down and which will also need decisions to be taken.

A refurbishment is a complex task. You will need to be sure that the skills, resources and materials to carry out that task in an orderly fashion over the six or seven years that it's going to take to go through the whole process of closing those plants are in place. Otherwise, it won't just be the problem of replacing the coal plants; you'll have the problem of replacing nuclear plants.

The third point I'd like to make is on retail competition. I know you heard some testimony this morning on prepayment meters. I didn't go into much detail on that in my paper, but prepayment meters are an area where the UK has more experience than probably the rest of the world put together. Let me give you a little history of the prepayment meter program in Britain.

When the gas industry was privatized in Britain in 1987, the newly privatized company was very eager to prove its commercial credentials to its shareholders and, very soon after privatization, it started to cut off consumers who didn't pay their bills promptly. On a political point of view this was very damaging, and the government was very keen to ensure that this didn't happen with privatization of the electricity industry. The solution it chose was basically that any consumers who had difficulty paying their bills had very little alternative but to move to prepayment meters.

What this effectively means is that in Britain we have no problem of disconnection. We have a negligible problem of disconnection. We have none. Basically, consumers who can't pay their electricity disconnect themselves. They don't use any electricity.

This morning I think I heard someone saying that consumers buy as much electricity as they want. The reality is, actually, that they buy as much as they can afford, and if what they can afford is not enough, then you have a social problem.

Prepayment meters are popular with consumers in Britain, there's no denying that, and the reason they're popular is that they help consumers budget. Consumers are not scared that they will face a situation in three months' time where they will have a bill that they can't afford to pay. So in the middle of winter, when it's cold, they're not scared to put on their heating systems.

A problem particularly in a competitive market is that these prepayment meters have a lot of attractions for the companies supplying electricity. They solve the problem of consumer debt—there is no consumer debt.

Also, in a competitive market, they identify the consumers who are least likely to be profitable. What you're moving to is an open market, and in an open market no company has any obligation to supply electricity on social grounds. They supply electricity because it will make a profit. Retail companies probably aren't going to make a living selling just electricity. They'll be looking to sell gas, telecoms, other household services. We've seen that very strongly in Britain, that companies move to be multiservice companies.

Again, a prepayment meter identifies those consumers who are least likely to be profitable consumers. So what has happened is that the highest prices go to prepayment meter consumers, and the prepayment meters camouflage what could be a very important social issue. In Britain I think the figure is something in the order of 20% of consumers who suffer from fuel poverty; in other words, 20% of consumers in Britain pay more than 10% of their household income on electricity and gas bills. So we have a serious problem but no way of identifying it with

prepayment meters. I just want you to be very clear that there are two sides to the prepayment meter question.

The final point I'd like to make is on the Ontario Power Authority. In many respects the new proposals are quite similar to the old proposals. Under the old proposals they relied on a private company's identifying a space in the market for new generating capacity and, unprompted, coming into the market and building new power plants. I think that opportunity still exists in the new legislation but there is a backstop position that if the Ontario Power Authority foresees a shortage, it can step in and commission the construction of a new plant. I think the likelihood is that very few people will go down the first route of spotting a market opportunity and speculatively building a plant. They will adopt the wait-for-calls-for-tenders approach.

I have two questions. Can the Ontario Power Authority identify the plant need in time, given that we're looking at a request-for-proposals situation and the construction of plants? We're looking for them to identify a plant need about six years forward. What we see in liberalized markets is a very much more chaotic situation on plant construction. If you look, for example, in one of the British newsletters on power, you will find that there are something like 13 pages of new projects for electricity-generating facilities, maybe 20 or 30 projects a page, all being proposed. The likelihood is that maybe 5% or 10% of those projects will get completed. How is the Ontario Power Authority to know what proportion of these projects will get built? If 10% of them are built, that might be enough. If 5% of them are built, that could be a catastrophic shortage. So it's going to be very difficult for them to identify that plant need.

Secondly, even if they can identify the plant need, is the RFP going to be a reliable way of meeting that capacity? If they decide they need 2,000 megawatts of capacity and they call for tenders, can they be sure that those that win the tenders actually build the plant? Again, in Britain we have experience there. We had calls for tenders for renewable plants, and for some of these calls for tenders the success rate on the completion was under 20%. So even if the Ontario Power Authority identifies accurately the need, will the requests for proposals actually result in the capacity that you need to meet that shortage?

Thank you. That's all I'd like to say. I hope there's room for questions.

1450

The Chair: Thanks. We have about six minutes for questions, and in this rotation, it's the government.

Mrs Cansfield: Thank you for your concern expressed around the issue of the prepayment meters, the power purchase meters. We in fact have one utility, Woodstock, that has had great success in that small community of about 4,000 people. It is not the intent of this legislation—which is actually in regulation—to be prescriptive in terms of the meter, but rather the function of the meter. So I think that sets aside your concern around going to an identified pre-purchased meter. That's not the intent.

The other is that you identified a concern around whether or not there would be this competitive process before OPA determined or forecast supply. I guess we can go on two things. One, we put out a request for 300 megawatts of renewable. We had over 90 proponents with 4,400 megawatts come in. They've put in place a process with NERA, and I would suggest you might like to visit the Ontario Ministry of Energy Web site to look at the two procurement processes. Now we have one out for 2,500 megawatts on both the demand side and new supply being treated in an equitable way.

I think if you were to look at the testimony of both Constellation and Calpine, which were at this committee, you would see that both of those companies expressed great interest in participating in this market. So hopefully that allays some of your fears that you'd only have to go to the OPA instigating that supply, that there wouldn't be the interest in the broader community. I think there probably would be.

One of my questions for you goes back to what you had said before. I read the previous proposal you put in front of us with some interest. You claim that our model has a mixed track record. I was curious as to where else in the world is there a hybrid model?

Mr Thomas: The Nordic countries.

Mrs Cansfield: The same regulated and wholesale spot market model is in the Nordic countries?

Mr Thomas: Yes. The Nordic countries have a mixture of private industry and nationally owned industry, locally owned industry. There are parallels—

Mrs Cansfield: But it's not a hybrid in terms of its regulated price for low volume and its open price for wholesale. So at least we can't find another—

Mr Thomas: In all areas where you have a partly open retail market, you will have a hybrid.

Mrs Cansfield: OK. It may be our interpretation, then, of "hybrid." That's what I didn't really understand.

Then I have a question, which I think you actually raised yourself. I wanted to know where your evidence was that retail competition hurts small businesses. You alluded to that and actually stated that previously, and I wanted to know where that—

Mr Thomas: Small consumers. Residential consumers, not small businesses.

Mrs Cansfield: OK. You said small consumers, but you didn't mean consumers, you meant small business? You indicated that there was evidence that retail competition hurts small consumers, and I wanted to know what that was based on.

Mr Thomas: Well, the reality is that in an open market, the people who get the best prices are the people who negotiate hardest, and the people who will negotiate hardest are the largest consumers. If you're pitting a residential consumer against an aluminum smelter, in terms of negotiating power, it's no contest. Small consumers, even small businesses, are not going to be able to negotiate as good terms as a very large—

Mr McMeekin: Almost by default.

Mrs Cansfield: But it's not empirical evidence. It's just your perspective and that's fine.

Mr Thomas: No. If you look at the prices in Britain, you will see that in 1997, when we had a half-open market, the retail companies allocated all their cheap generation to the competitive market. As a result, small consumers were paying 30% more for the generation element of their bill than large consumers.

The regulator said that introducing comprehensive competition would solve the problem and, in fact, it's made it worse. What has happened since 1997 is the price paid by small consumers for the generation element of their bill—in Britain, that's about half their bill—has gone up by about 5% and the price paid by very large consumers has gone down by 22%.

Mrs Cansfield: Is the small consumer a small retail consumer or an individual?

Mr Thomas: I'm talking about, I think, 100 megawatts. So it's basically all household consumers and small businesses. But mostly it's residential consumers I'm concerned about.

The Chair: Mr Ramal, quickly.

Mr Ramal: My question has been answered.

The Chair: Thank you very much, Mr Thomas.

OTTAWA VANIER GREEN PARTY ASSOCIATION

The Chair: Next I'd like to call the Ottawa Vanier Green Party Association and Raphaël Thierrin, please. Go ahead, sir.

Mr Raphaël Thierrin: Good afternoon. Bonjour, mesdames et messieurs, fellow members of the panel. Welcome to Ottawa-Vanier, which happens to be this particular riding, a riding in which the Greens had significant electoral success in the last election. This brief I'm presenting today fairly represents the views of the 226,000 Ontario citizens who voted for our party in the last federal election.

Bill 100 and electricity restructuring: I think we appreciate the efforts the government has made in, first of all, presenting such a bill in its first year of mandate, in holding these consultations and in taking our advice to establish a conservation bureau—which was in our 2003 Ontario platform—as well as mentioning alternative and renewable resources fairly often during first reading of the bill, in the definitions sections, the opening sections and other areas.

However, we do have quite a number of concerns because we feel that the efforts are a bit limp. We feel that there's a problem, in the sense that in the set out purpose of the act, there are no stated environmental or societal goals. Everybody talks about all kinds of impacts of energy, whether it's coal, gas, wind, nuclear etc, and yet environmental concerns don't seem to shine at all in the bill as presented thus far. It's the same thing with social goals.

We know that we're facing major issues of supply, security and reliability. We're facing major environmental issues. I think a lot of people feel that good alternatives and good renewable energy should be where we're heading. Yet, in a number of little ways, all over

the text, the bill doesn't seem to feel that such energy sources are the norm we should be striving toward, as close in the future as possible.

There should be set and clear goals for two dates, which should be very apparent that are on the horizon. The dates are 2007 and 2018. There was an election promise to phase out coal-fired plants by 2007. This is within the current electoral mandate of the current government, which is a majority government in this case. All the power to it. And 2018 is when the capability of the Ontario nuclear reactors—if no new reactors are built, 2018 is the date when 40% of the energy sources in the province need to be replaced by either new reactors, if that's the choice of this government, or other alternatives.

Essentially, the bill seems to have lots of sound bites but no bite. As well, the conservation bureau unfortunately seems to be a somewhat powerless watchdog, as opposed to an agency that actually is set to do things and to accomplish objectives.

I talked about no stated environmental and social goals. I believe the Pembina Institute has already delivered a brief that covers societal goals quite well, so I won't cover their ground.

1500

But in terms of environmental goals, the purpose of the act, for example, has wording like "encourage conservation," "promote cleaner energy." To me, "encourage" and "promote" are nice-sounding words, but what do they mean? When I turn off the light in my bedroom before I go to work, I'm promoting energy conservation. Certainly the government can have education and other measures and these are good, but don't we want to go beyond what individuals can do and shouldn't the province have a greater leadership role in ensuring conservation takes place, as opposed to encouraging or promoting it?

I note that in the purpose of the act, in terms of issues relating to the reliability and security etc of energy, there are good active words like "ensure," "provide," "facilitate" that do show the province is capable of exercising its legislative mandate and legislative muscle in making sure certain things get done.

In terms of alternative and renewable energy, the definitions that are in the act are pretty vacuous. They are pretty open-ended. There is a lot of room left for regulations that may come in in the future that may define, perhaps, nuclear energy to be a clean energy source. These are things that people will see. People are not just expecting the government to roll out its propaganda machine and say, "OK, because we have renewables and alternatives in the act, we're doing good." That's not good enough; you need to define what you mean by those terms.

All the energy sources that are either renewable or alternatives and that are useful in the time span until 2018 are already known. So why not define them very clearly in the act and say, "This is it"? If perchance a miraculous discovery is made in five or six years, you can always change the act. But I think it's a wrong-

headed approach to leave it up to the regulations, which are less noticed by the media, to be where you can play with what exact definitions are for some of these sources of energy.

The criteria to determine whether a source of energy is alternative or renewable is also left to regulation. It sounds almost like these other forms of energy, be they biomass or wind or whatever, are kind of like outsiders of the bill. There is a lot of stuff in the bill to make sure existing forms of energy are managed well or not—I'll leave it to the panel to decide—but these other things are just kind of introduced; they're there but they're not really there.

Last fall, we heard about how the current government would make a change from the previous government by insisting coal-fired plants would be phased out by 2007. But 2007, in terms of government jurisdiction, is on our doorstep; it's tomorrow. So why not have explicit mechanisms stated in the act that define how the government will act to replace the 30% of energy it currently gets from coal with other forms, either by expanding other forms of energy sources or by setting clearer targets for conservation? Should it be a mix, should it be 15% through conservation and 15% through a transition toward windmills, for example? Should it be something else? Or should it be mechanisms that don't specifically state which technology is being used, but rather set up some mechanisms to go in that direction? That's really fairly fuzzy in the act. It's not so much that you have to put in the act that coal will be phased out in 2007, but at least provide mechanisms to make the transition to something different happens quickly.

I alluded earlier to 2018 being the sunset year for the last existing reactor in Ontario. We know we have a lot of difficulties with nuclear energy in terms of financial costs, but I think it's fair to say that nuclear energy creates a lot of security risks, it creates health risks, it creates environmental risks. We still don't know exactly what to do with the wastes that are left over. Will our civilization actually last the 500,000 years that are needed to manage that waste? And it's not even economically sustainable. Production costs, insurance costs—if the government did not have a limit on the liability for exposure in any accident at a nuclear plant, no private operator would ever want to take the management of such a plant.

We do have some major players in the world who are starting to think seriously about the phase-out toward other forms of energy sources. One of them is Germany, which has more than twice the population of Canada. Nobody can say that Germany is a small player in the world. It's one of the G8 countries. So there are examples of other societies that are moving toward phase-out in a fairly rapid agenda, looking at around 2020 or 2025, depending on which country is thinking of that. Belgium has definitely made a policy to go in that direction as well and Spain is considering it, I believe.

So what do we do? This time span to replace 70% of Ontario's energy toward other forms—there should be better mechanisms in the act to explicitly say that this is

something the Ontario government wants to do for the benefit of all.

In reading the brief that has been prepared by the Ontario Sustainable Energy Association, they recommend renewable energy tariffs as being one solution toward ensuring that you can use the entrepreneurship of individuals, companies, co-operatives, small towns and other places to harness their entrepreneurial drive toward putting into place market-based incentives that allow for windmills, for example, to populate more areas of the province and start that transition. So we recommend something along those lines. Again, the act should be explicit in at least setting the base toward making mechanisms like that more available so that other people, as they read the act, can say, "OK, yes, there is something in there. We can start planning various infrastructures," and there's an incentive to go down that path.

I have a few points also about the conservation bureau. Again, we're really glad that the conservation bureau is mentioned in the act. However, between the energy conservation task force that reported to Minister Dwight Duncan in January 2004 and the bill that appeared in June 2004, something seems to have totally dropped out of the picture. The ECSTF was recommending a champion that would lead the way. Instead, we seem to have a poor sister of OPA in Bill 100. We have in Bill 100 an institution that will provide leadership, and that is certainly different from coordinating conservation as part of a market strategy, which was mentioned in the recommendations of the ECSTF. It seems to be more like a watchdog; a few nice little things. They'll report now and then that a few good things are happening toward conservation, all so much the better, but the way I read the bill, there doesn't really seem to be an incentive for that institution to actually lead the way in forcing things to happen.

In conclusion, the Ottawa Vanier Green Party Association feels that the government needs to face the situation of this province a lot more clearly. There are things that will be happening soon that need to be resolved. Bill 100 should outline clear mechanisms to make renewable energy and maximum conservation the norm. Remember August 2003? There was a big panic in 2003, wasn't there? A big panic because the electricity went out, at least on this side of the river. Somehow it didn't go out on the other side of the river, but we'll look into that later.

1510

It seems that after the August 14 and 15 blackout, a lot of Ontarians individually led the way. For a brief period of about two or three weeks, a lot of people were a lot more conscious about how many lights were on, how many appliances were on etc. Why can't the government show the way and follow in these footsteps, in the sense of having institutional mechanisms to make that type of conservation the norm, as opposed to an event that occurs only immediately after a crisis?

That's where we are. I think we would like greater leadership by the existing government. We are also sup-

portive of other briefs presented by various environmental groups.

The Chair: Merci. We have one minute for questions. Mr Marchese, you're up this time.

Interjection.

The Chair: OK. From the government side, Mrs Cansfield—30 seconds, quickly.

Mrs Cansfield: We've heard a great deal about clean coal. You can scrub the NO_x and you can scrub the SO_x, and then you get clean coal. What do you think?

Mr Thierrin: I think there are some seams of coal that have less. I personally don't have a problem, if it's truly clean, if other environmental groups, people who have more technical knowledge than I have, say it's clean.

Mrs Cansfield: What about CO₂, the greenhouse emissions issue? Is that not an issue for the Green Party?

Mr Thierrin: It is an issue. We don't like any of the toxins that go in the air.

The Chair: Thank you for your presentation.

FRIENDS OF THE EARTH CANADA

The Chair: I'd next like to call upon Friends of the Earth Canada; Beatrice Olivastri, the chief executive officer. Welcome. You have 15 minutes, and during any time that's not used, we'll have some questions.

Ms Beatrice Olivastri: I'm assuming we're all friends of the earth. I'll be sending membership forms out right after this.

The Chair: Commence your presentation, please.

Ms Olivastri: Thank you for this opportunity. Friends of the Earth Canada is a national environmental research and campaigning organization which, with its Friends of the Earth International colleagues in 68 countries worldwide, seeks to formulate policies and actions for an environmentally safe and just society. Energy policy, particularly with respect to electricity generation, is a key consideration for such a society.

Today, Ontario stands at a crossroads as you consider Bill 100—I don't have to tell you this; I'm just underlining it—An Act to amend the Electricity Act, 1998 and the Ontario Energy Board Act, 1998. Friends of the Earth welcomes the opportunity to provide input to your decision-making. We recognize the need for a major change in direction in meeting Ontario's electricity needs and for clear and consistent signals, which we think you're in a position to provide, to consumers and suppliers of electricity in this province.

Friends of the Earth submits that the values of sustainability and equity should guide your choice of direction for meeting Ontario's electricity needs. Further, the principles of accountability and transparency must frame the policy direction the bill provides to key institutional actors in Ontario's electricity system. These include the Ontario Power Authority, the Independent Electricity System Operator and the Ontario Energy Board.

The direction for meeting Ontario's electricity needs that we would like to address is a sustainability path,

obviously. You would expect that from Friends of the Earth. Historically, Ontario's industrial economy was established on the basis of reliable, low-cost electrical power. Today, your government—our government—recognizes that the true cost of electricity has to incorporate the health, well-being and security of citizens as well as industrial entities. We think this is shown very clearly by the commitment to phase out coal-burning generation stations. However, as Bill 100 is currently formulated, we think there is a tendency to downplay rather than highlight the values that are implicit in the decisions you have already taken.

Clearly, the Ontario government does recognize that its citizens are demanding clean air and a healthy and secure environment. So Friends of the Earth is urging you to identify within the bill the protection of human health and the environment as fundamental goals of the design and operation of Ontario's electricity system. Again, I'm trying to speak to the functional nature of the bill, not the specific prescriptive kinds of things that I believe come later when these authorities are empowered.

We further urge you to emphasize that these goals of protecting human health and the environment are attainable at the same time as Ontarians will also receive assurances and, in fact, an adequate supply of electricity—and I'm going to underline this point—for those uses that require it. I will come back in just a moment to the notion of what we actually need electricity for.

In the interests of security, Friends of the Earth urges you to consider societal costs, such as financial, health, environmental, risk and community social impacts, but also to recognize the societal benefits of energy efficiency, dispersed and community-based generation, embedded generation and renewable generation, which I believe is a message you're hearing from a number of our colleagues and other environmental organizations.

In the interests of equity, then, we're also going to urge you to consider and recognize the special needs of low-income citizens—we've been through this kind of thinking back in the 1970s and 1980s around conservation—and senior citizens on fixed incomes who need special attention, so that they have access not only to electricity supplies but to the programs that are put in place, particularly around conservation and efficiency. In addition, the employees of energy sectors—I would be happy if this were addressing employees of Michelin facilities—who are affected by new directions in policy need support in dealing with retraining, relocation and whatever other kind of support is needed in their own transition, hopefully to new efforts, new technologies in the energy field.

Finally, in this section, in the interests of efficiency, we urge you to recognize that electricity is a very high quality kind of energy. It's also an expensive form of energy and should be used for things such as electronics, motors and such that can't use other kinds of—let me characterize it as lower-quality energy. In that respect, of course, conservation is one of those lower-quality, but

nevertheless important, sources. We regard it as a source of energy.

Therefore, in this section I have a particular kind of overarching recommendation that the purposes section of Bill 100 should incorporate into its overall goal the protection of human health and the environment and—again, the points I mentioned earlier—the test of societal cost-effectiveness in determining the plans and then the equitable treatment of low-income and fixed-income citizens and those whose employment might be affected by decisions on energy supply.

Moving to policy direction that we would like to see the bill provide to the institutional actors framed by this bill, since our founding in 1978, we have espoused a path to a sustainable energy future that has three key attributes. I'll quickly list them, but we're applying them in our recommendations to you further on. Always as a first priority—and I'm sure you've heard this frequently in these hearings—a serious commitment to energy demand reduction through different kinds of efficiency improvements and alternative choices, and to selecting the appropriate energy source for the use; secondly, a move to renewable energy sources to address sustainability and thus security over the long term; and thirdly, the consideration of scale and diversity of technologies that would address society's social and economic adaptability and resilience.

When we apply these to the choices we're faced with at this crossroads, we're going to submit a couple of recommendations to you specifically about the bill. Section 1 of the bill needs to make explicit the three attributes I've just referenced, so that as you move forward on the Ontario energy path—sustainability, we hope, being the focus—we will in fact maximize efficiency and conservation; we will maximize the potential contributions from renewable energy sources; and we will meet remaining demand after those first two priorities, only at that point, through least-cost and lowest-impact non-renewable supply. So it's kind of a hierarchy of approaches that we're proposing.

1520

On the next recommendation, we are asking you to incorporate these priorities into the mandates of the key institutional sectors framed by this bill. In particular, the conservation bureau, we believe very strongly, needs to be an independent agency, standing apart from the Ontario Power Authority. Its mandate should focus on implementing all cost-effective conservation and efficiency measures and, again, take into account environmental and social costs.

Secondly, as an authority, the Ontario Power Authority: Again, we're looking for a way of framing very specifically and clearly conservation, efficiency and renewable energy as top priorities and taking environmental costs into account.

Thirdly, the Ontario Energy Board should continue to have a clear mandate to promote conservation and renewable energy rather than a limited focus on price and cost of electricity. When they are reviewing and approving OPA budgets, fees and plans, we want to see the

Ontario Energy Board have a clear mandate that allows it to consider and maximize the value added of social benefits from, again, efficiency, dispersed and community-based generation, embedded generation and renewable generation. So that's dealing with some clarity on the mandate and the priorities of these authorities.

Finally, to address the government, what we would like to see is an aggressive minimum goal for conservation and renewable energy rather than maximum limits. We'd like to see that OPA is not limited by minimum goals, so we're going to go beyond that where it does make sense societally in terms of conservation and efficiency.

We're endorsing a recommendation that I think you've already heard from Greenpeace. We felt it was well stated and that we should simply replicate it: "The OPA shall, in planning, encouraging and procuring a portfolio of supply and demand initiatives and in budgets, fees and plans, consider and value the added societal benefits of" that whole list of the kinds of energy that we believe will support the sustainable society we're imagining and hoping you are supporting.

Finally, a key area to ensure accountability and transparency, overall, in the execution of this bill would be through a selection of the members of the OPA, the conservation bureau boards and the advisory committee for the OPA. That's one mechanism to ensure these two principles. Secondly, the requirement of public hearing review and OEB direction prior to ministerial review of OPA's business plan gives the public a chance to deal with these plans before a ministerial review. The final one is a requirement for the OEB to hold public hearings when exercising its powers under these sections that we cite.

In general we're looking for a way to thoroughly engage the public and to make sure that different facets of the public have a chance to adequately support and provide input at the appropriate points in time, and not be reactive after the fact.

Thank you again for this opportunity. I'm looking forward to future, more specific opportunities on measures, but I felt this would be the focus for the bill review today. Thank you.

The Chair: We have two minutes for questions on this rotation. Mr Chudleigh, you're first.

Mr Chudleigh: You mentioned conservation in that area. What percentage of Ontario's energy use do you think might be saved through conservation? I've heard 5%; I've heard 40%; I might have heard a 50%.

Ms Olivastrì: I believe the current study that I've seen from the Pembina Institute talks about 40%. I believe the government has discussed 5%. There's quite a spread there. I would characterize my belief as serious and significant. I'm not sure I'm in a position to give you an exact number but I'm taking lessons from you guys.

Mr Chudleigh: You're getting a lot of agreement from the Liberals on significant—

Ms Olivastrì: Is that right?

Mr Chudleigh: Yes. They're serious and significant kinds of people. That's all. Thank you very much.

The Chair: We want to thank you for your presentation.

Mr Chudleigh: It was meant to be sarcastic.

Ms Olivastris: Oh, I thought that was a compliment.

MUNICIPALITY OF KINCARDINE

The Chair: I'd next like to ask the municipality of Kincardine to come forward: His Worship, Mayor Glenn Sutton. Welcome this afternoon.

Mr Glenn Sutton: Thank you. Good afternoon. My name is Glenn Sutton. I'm the mayor of the municipality of Kincardine. It is a pleasure to be here today and to be given the opportunity to address the committee on the legislation of Bill 100. I have presented several comments to other committees—for example, Bill 35—over the years. I'm also chair of CANHC, the Canadian Association of Nuclear Host Communities, and I'm a director of Westario Power, our local LDC.

Kincardine is a municipality composed of the former municipalities of the town of Kincardine, Kincardine township and Bruce township. We are the host municipality for the Bruce nuclear power development, which includes both Bruce A and Bruce B nuclear generating stations operated by Bruce Power. As well, we are home to the Bruce Energy Centre, and Leader Capital recently announced plans to build a 200-megawatt wind turbine farm project in Kincardine, specifically Bruce township. Also, Vestas Canada, a supplier of wind turbine technology and equipment, is located here. We have many energy-related companies with offices supplying energy services.

My specific remarks on Bill 100 follow three broad categories. The first one is on the subject of the Ontario Power Authority. There is a need for an accelerated start-up of this organization. In our municipality, Bruce Power has taken over the operation of the Bruce site and improved the operational efficiency of the nuclear units. It is our understanding that business cases are being prepared for (a) the refurbishing of units 1 and 2 at Bruce A after the successful restarts of units 3 and 4 at Bruce A, and (b) investigating the potential for new build on site. Our municipality is also aware of, and supports, the new fuel project at Bruce B that will increase plant power output.

In order for the province of Ontario to phase out coal-fired generation facilities by the year 2007, it is absolutely essential that the OPA have an accelerated start-up. As per clause 25.2(5)(b), "to enter into contracts relating to the procurement of electricity supply and capacity in or outside Ontario," this is the operative part of the legislation that needs passage so that Bruce Power and other power companies can complete their respective business plans etc. The municipality of Kincardine is very supportive of nuclear power. We urge the committee to recommend swift passage of Bill 100 and fast-track the formation of the Ontario Power Authority.

The second major point concerns the hydrogen-fuelled economy. Nowhere in Bill 100 is there any mention of

hydrogen technology as an alternative energy source. In our view, this is a major omission that must be rectified. Hydrogen is an ideal candidate for a future transportation fuel. For example, in 1981 the federal special committee on alternative energy and oil substitution, in its Energy Alternatives report, had these recommendations, and there were three of them. A copy of the three recommendations is attached in my report.

Recommendation 38 stated, "The committee recommends that an energy system based upon hydrogen and electricity as the principal energy currencies be adopted by the government of Canada as a long-term policy objective"—page 188.

Recommendation 39 stated, "The committee believes that hydrogen will be an important element of Canada's future energy system and recommends that we begin now to develop the technology and infrastructure for hydrogen production, distribution and use."

Finally, recommendation 40 stated, "The committee agrees that the early demonstration of a hydrogen-based urban transportation system is required in Canada and recommends that research into this use of hydrogen be supported with the aim of rapid commercialization."

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More recently, the Electricity Conservation and Supply Task Force in Ontario, on January 9, 2004, on page 57, stated, "Another longer-term option that may become more attractive is the use of off-peak power to produce hydrogen for use in fuel cells for automotive and other purposes."

Research and development into hydrogen fuel technology has shifted from Ontario to British Columbia. The industrial heartland of Ontario must adapt to hydrogen technology sooner rather than later. Nuclear power reactors are ideal candidates to produce hydrogen at off-peak times.

We must switch our fossil-fuel-based economy to a hydrogen-fuel-based economy.

I have an additional statement that was put on by Dr Geoffrey Ballard, the father of the hydrogen fuel cell industry, at a speech made on March 19, 2003:

"Non-polluting hydrogen fuel cells will soon be used broadly as a primary power source in transportation and in other applications. While renewable energy sources such as hydro, wind and solar have some role to play in the production of hydrogen required for fuel cells, only nuclear power has the potential to provide the vast amounts of energy that will be required if we are to start to move away from a carbon-fuel-based economy and to one based on hydrogen."

We respectfully request the committee to amend Bill 100 and add hydrogen technology as an alternative fuel technology.

The third major point is the energy centre of excellence. The Electricity Conservation and Supply Task Force also listed in its task force action plan, section 7.4, page 86, "Partnerships between industry and government in support of innovation, including an energy centre of excellence which will act as a focus for the development

of technology and approaches that build on Ontario's inherent strengths in the energy industry."

The economic development committee of the municipality of Kincardine has a project underway to attract the proposed energy centre of excellence to Kincardine. We would welcome the endorsement of this committee to have the province locate this centre in Kincardine.

Specific amendments—I just have a few here—to Bill 100:

Schedule A, paragraph 1.1, the purpose of the act: Add a new clause (k) that states "to develop an energy system based upon hydrogen and electricity as the principal energy currencies as an immediate policy objective by the government of Ontario."

Subsection (10), "renewable energy source": Could you please add "hydrogen fuel" to that list.

Section 13.1 (1) of the act, re the establishment of an advisory committee: Add "an advisory committee on hydrogen fuel technologies" as one that must be established.

Paragraph 25.2(5)(i): How will the OPA borrow on its credit? It now has no assets. Will the fees it collects generate enough funds to establish a credit rating? In section 25.17(1), the Minister of Finance can "purchase securities of or make loans to the OPA." Is the province guaranteeing the OPA's financial position?

Section 25.11(1): In addition to appointing a conservation bureau, an alternative energy bureau and a science officer should be appointed.

Section 25.28(2), clauses (a) to (d): There are no timetables there. We should have timetables.

One comment on schedule B, subsection 11(1), adding subsection (3.2), "Rates to reflect cost of electricity": this should be revised from "shall ensure that the rates reflect these costs" to "must ensure that the rates reflect these costs."

I have three more short verbal comments. Earlier today, a Sierra Club representative stated that there was no support for nuclear power. This is not the case. Based on a recently released survey by the Canadian Nuclear Association, 67% of the people who live in Ontario support nuclear power.

Next, CANHC, or the Canadian Association of Nuclear Host Communities: Our organization passed a motion at its February annual meeting in Ottawa that basically endorses the refurbishing of existing nuclear plants and endorsing the building of new nuclear generation facilities.

Finally, on the subject of public-private partnerships, there are two successful examples in Kincardine. The first one is Bruce Power and their long-term lease of the Bruce site from the province and, secondly, Westario Power, which is a partnership of FortisOntario power and the local surrounding municipalities. These two developments in Kincardine clearly establish Kincardine as a powerhouse of Ontario.

I'll answer any questions.

The Chair: Thank you very much, Your Worship. We have about five minutes. Mr Marchese, you're first on this rotation.

Mr Marchese: Thank you, Glenn. There are a number of people who have concerns about nuclear, and much of it has to do with costs. You know that when we refurbish each and every unit, the costs are astronomical. In your view, "That might be the case, but too bad, so sad. That's what it costs, but we need it because it's clean—"

Mr Sutton: I would agree with you in the case of the Pickering situation. However, if you refer back to Bruce A, units 3 and 4, we have returned two units, 700 megawatts each, back to service basically within time and within budget. Now, that's a refurbished nuclear reactor. If you go to Qinshan in China, AECL has two nuclear CANDU units over there built on time and under budget. So it can be done. It just takes disciplined project management.

Mr Marchese: So the kind of costs we've seen to refurbish these nuclear plants could be done more efficiently. It's just that somehow they've gone out of control. Maybe they weren't built properly or maybe the refurbishing isn't done well. Is that what you're suggesting?

Mr Sutton: Going back to efficient project management, one of those elements is financial and cost control. Going before that, you have to have the detailed engineering done, and that was done in the case of Bruce A. You're aware, in the Manley report, that there was evidence given that that was not the case. Clearly, if financial controls and engineering discipline are followed, it can be done. I'm sure it can be done safely and under budget at Bruce units 1 and 2. It was a mistake to close down the Pickering A and Bruce A reactors. I think we all realized that last August.

I picked up on Mrs Cansfield's comment earlier, about 10 minutes ago, about coal. Generations in the future are going to say, "Why did we ever burn coal for its heat content?" Think about it. I'm an applied chemist, a chemical engineer. I've been a retired nuclear engineer for 31 years. However, if you look at coal, why not transfer coal by chemical reactions to aspirin, pantyhose—consumer goods for society—rather than just for its heat content? If you remember one message from today: Coal is bad; hydrogen is good. Hydrogen and electricity is a good marriage made in heaven.

Mr Marchese: I'm sure Donna has some questions for you, but I have a question not on coal, but on the issue of nuclear. We're storing this nuclear waste and this radiation. I don't know where it is, actually, but it's probably above ground somewhere. It concerns me in terms of this issue. Someone down the line has to worry about it, presumably. Others think, though, it won't be a problem 10,000 years down the line because people would use it or want it. I'm concerned about it. Does it concern you?

Mr Sutton: In my opinion, speaking for myself only, it's a political and not a technical problem. Right now, the Nuclear Waste Management Organization in Ottawa is looking into a three-year project to report back to the federal Parliament on what to do with the long-term storage of nuclear fuel. Right now, it's currently stored safely above ground in welded steel containers. They're

going to look at three options for the future. There is also a nuclear waste fund to dispose of this waste. If you look at the back of the OPG reports, these funds are stated as an appendix or schedule to that report.

Mr Marchese: But you've got no problem in terms of the dangers that it might have. It has no dangers in your view?

Mr Sutton: No. I'd like to invite you to come to the Bruce reactors, and we'll take you to where those radioactive flasks are stored. You walk right up to them.

Mr Marchese: We'll go without clothes.

The Chair: Mr Ramal, please. We have two minutes.

Mr Ramal: I have a question for you. You talk a lot about hydrogen to replace the coal-fired generation. I believe we produce about 25% of our electricity across the province from it. I'm not familiar with hydrogen energy. How efficient is it, what's the cost and how fast can we do it and put it in place to replace the losses?

Mr Sutton: It's doable. It started a number of years ago in the state of California, where I think they had a target of either 5% or 10% for their car fleet. The manufacturers of cars had to produce fuel-efficient cars, and one solution was hydrogen.

My concern is, some of you have car and truck plants in Oshawa, Windsor, Oakville and so on that produce four-, six- and eight-cylinder engines. Thousands of auto workers have jobs in that area, and I'm concerned, if we don't act now, that in five, 10 or 12 years—and that time will go fast—they will be displaced. They're going to lose their jobs to other workers producing fuel cells.

There's a small company in Toronto that produces fuel cells. There's another company in Kingston that produces solid oxide fuel cells. There's a demonstration project being put on next year at the University of Toronto's Hydrogen Village. So there are small leaps and bounds here, but we've got to make a commitment to produce hydrogen. In our opinion, the best way to do that is through electricity. It's not by steam reformation, like a chemical plant; it's basically through taking electrolysis—do you remember your chemistry classes? Electricity splits water into hydrogen and oxygen.

So at night, when the nuclear stations are still producing the power, not all of it's required for use on the electrical grid by the consumers. But when the demand goes down, maybe 30% or 40% of that can be diverted to a hydrogen production facility to produce hydrogen gas. It can be liquefied, pumped in a pipeline or stored in metal hydride containers and so on safely.

Mr Ramal: Also, another question—

The Chair: Stop. We're out of time.

Thank you very much, Your Worship.

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ROD SHEPPARD
LANNY TOTTON

The Chair: I will now ask Rod Sheppard to come forward, please. Welcome.

Mr Rod Sheppard: Good afternoon, Mr Chair and to the committee. Thank you very much for allowing us to appear today. I am Rod Sheppard. I am a Bruce Power employee and I am the executive vice-president of the Society of Energy Professionals. I have Mr Lanny Totton with me today. We're going to present a very brief presentation. Mr Totton is the vice-president of OPGI, one of our sectors. I'll turn it over to Mr Totton for a minute.

Mr Lanny Totton: I'm very pleased to take part in this committee. I think it's a very democratic way to listen to all the views and all the options in front of you. This is sort of *déjà vu* for me. I remember meetings in the 1970s and 1980s at Ontario Hydro where we struggled to provide low-cost generation and distribution to the consumers. I remember considering a lot of the conservation and generation options that you now have.

We are concerned with the continuing economic experiments with the electrical sector. In Bill 100, the minister is proposing some important changes that will affect the cost and reliability of your electricity.

We support the goals of the government's plan, but it doesn't go far enough. With last year's blackout and rising prices, we are concerned that the legislation doesn't ensure public control and ownership of the electrical industry, which may threaten the reliability, affordability and security of your electricity. Ontario should be self-sufficient in a sustainable electrical supply. Conservation is great, but it cannot be sustained. That's the trick.

To keep prices down, our current public power companies need to be allowed to compete on building and operating new projects, especially hydroelectric opportunities. We must continue public ownership of all new facilities generating and transmitting power to our communities. All government contracts should be open for maximum public scrutiny and participation.

We must ensure adequate funding for Ontario Power Generation and Hydro One. Our current public producers and transmitters are underfunded and they are now still giving you the lowest rates in North America. They've been underfunded for at least 15 years.

We need to create a multi-stakeholder task force to make recommendations on a responsible transition from carbon-based fuels, on financing and on alternatives for reducing air pollution.

Together, we can keep our lights on.

Mr Sheppard: I'm here to talk about our item 6, which was the joint public-government task force on a reliable, affordable and efficient energy future. In an effort to forge a broader consensus regarding the future of electrical power in Ontario, the Society of Energy Professionals, "the society," IFPTE Local 160, proposes the immediate formation of a joint public-government task force to make recommendations on a responsible transition from carbon-based fuels and on sound financing for new energy sources. It is our firm belief that as energy professionals and experts, we must look at

Ontario's energy problems in a rational and professional light, free of politics and sacred cows.

As the representative of 6,000 professionals and experts in Ontario's electrical sector, the society proposes the following basic principles for guiding and structuring the joint task force. This is the proposal that we're putting in front of the committee today.

(a) The mandate of the task force: Develop fact-based findings and offer specific recommendations on (1) a responsible transition from pollution problems posed by current coal-generated electricity, (2) financing options for funding future electrical power requirements, and (3) financing options geared toward maximizing the benefits for taxpayers and electric power consumers.

(b) Task force composition: The joint task force will have eight members, four picked by the government and four picked by the Society of Energy Professionals. The government and the society will each select one task force member from each of the following categories: (1) experts from the public energy sector, (2) business, (3) environmental, and (4) consumers.

(c) Selection of the task force professionals: The government and society factions of the joint task force will each select one qualified professional consultant with appropriate expertise and experience in Ontario to conduct the research, present findings and draft the final report in consultation with the task force.

(d) Task force final report: The joint task force will issue a single final report to the public, incorporating its findings and recommendations. The joint task force members will try to reach a consensus on the report's findings and recommendations. If, however, this proves to be impossible, decisions will be governed by a majority vote.

(e) The term: The joint task force will have six months to complete its investigation and produce a final report. During that period, there will be a moratorium on the implementation of all RFPs related to the reorganization or restructuring of present electrical power operations and financing. RFPs for renewable energy generation will not be part of this moratorium.

I thank the committee for their time.

The Chair: Thank you very much, sir. Do you have anything else to add? We have about six minutes for questions. The government side is up first. Any questions? No questions. Mr Chudleigh?

Mr Chudleigh: No. Thank you very much for your presentation.

The Chair: Mr Marchese?

Mr Marchese: Are you both saying that what Bill 100 does, or doesn't do perhaps, is that it's not looking responsibly at making this transition from the elimination of coal to other sources of generation of power and that this task force would do a better job of it? Is that basically the point?

Mr Sheppard: That's certainly the point. We're concerned about the schedule, the amount of time currently in the bill for the transition, the 2007 issues of—

Mr Marchese: That it's inadequate or unrealistic, is going to lead to problems, basically. Is that the case? You might want to speak a little more generally about why you think we should be listening to that. Other members don't have any questions, and that concerns me.

Interjection.

Mr Marchese: You have some questions?

Ms Wynne: When you're done.

Mr Marchese: I'm glad Kathleen has questions. I was worried that maybe you're not giving us information as to what the problems really are.

All I could gather from that line is that there's politics here and that's part of the problem, that we're not getting this right and Bill 100 certainly isn't getting it right and a task force would get to it in a better way.

Mr Totton: Well, there's conservation. The things you can do for conservation are really threefold. You can get new equipment or replace it with different equipment that uses different energy, but that's a 30-year program. You can get people to turn off the power. You can incent them to turn off the power. In the early 1980s we had inflation; prices went up about 30%, and people did turn off the power. So price is a factor there. You can increase the price and they will conserve. Or you can get them to turn it off themselves—you can turn it off for them—like water heaters or that sort of stuff. There are all sorts of ways to do it, but to remain sustainable is really the hard part.

Mr Marchese: But your point is that the task force would get to these matters in ways that we are not getting to through these hearings?

Mr Sheppard: We would hope.

The Chair: Ms Wynne, please.

Ms Wynne: I wanted to ask you a question and then make a comment. Your organization has had an opportunity to speak to ministry officials, I'm assuming, on various occasions? You've been in conversation with—

Mr Sheppard: Right.

Ms Wynne: So that avenue is open to you. When I look at this document, many of the things you're suggesting this task force could do are things that I think are intended to be done by the bodies being set up in the bill. So this is a political statement about the ability of the bodies in the bill to be successful, right? You're basically saying to us that you don't think the OPA can do what it says we want it to do and you don't think the OEB can do what we want it to do. Is that basically the gist of this?

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Having sat on that side of table, I think you know it would be very difficult for the government to take up this offer, because there are many, many groups who would like to be four of eight members with the government on a task force. We've heard from many groups that would like to do that. I appreciate the statement, but I just want to be clear about exactly what you're saying and that you understand why it would be so difficult for us to take up that offer. Is that fair enough?

Mr Totton: We understand.

Ms Wynne: OK. Did you want to comment on that?

Mr Sheppard: The issue of stakeholders in this province having an opportunity to provide input outside this forum, and with the OPA, concerns us. We want to make sure the sector is looked at, not in a rushed-through fashion but more with a business and environment look-see to make sure we haven't missed anything.

Ms Wynne: I really appreciate that. You guys have been very organized. Months ago you were in my office, so I assume you were in all the MPPs' offices. You've talked to all of us. You've talked to the ministry. I really appreciate the work you're doing to make your points, and I'm sure the dialogue will continue.

The Chair: And your question is?

Ms Wynne: Actually, it's my understanding—again, having sat on that side of the table—that sometimes what needs to happen is that a comment is made. Thank you very much.

The Chair: Thank you very much, gentlemen.

CONCERNED CITIZENS OF RENFREW COUNTY

The Chair: I now ask Mr Hendrickson to come forward. He's representing the Concerned Citizens of Renfrew County. Good afternoon, sir. You have 15 minutes, and in any time that's not used, we'll have some questions.

Mr Ole Hendrickson: Thank you very much. I represent Concerned Citizens of Renfrew County, which is located about an hour and a half up the river in Pembroke, Ontario. We've been intervening for some 15 years on matters related to operations at AECL's Chalk River lab, so we're mostly before hearings of the Canadian Nuclear Safety Commission on environmental matters such as pollution of the Ottawa River. But we certainly recognize the need to do a transition to more diverse and renewable sources of energy, and that's mostly what I'm going to talk about here today.

I've done a little handout here. I don't know if you all have it. What I would like to see in terms of the purpose of Bill 100—what do you really want to accomplish?

—You want to create an adequate and secure electricity supply, not what's in the explanatory note for the bill, which talks about expansion of electricity supply. We don't necessarily need to expand it, certainly not everywhere in the province, and certainly aggressive conservation measures may alleviate the need for electricity supply expansion in some places.

—To speed the transition from non-renewables to renewables. I'll talk about all of these points in more detail.

—To reduce greenhouse gases and air pollutants. I think we all recognize the need for that.

—To facilitate full accounting of environmental, economic and health costs of the alternatives.

—To minimize the security risks associated with electricity generation. That's certainly on many people's minds these days.

—To encourage locally generated and diversified power sources, including credit for smaller generators who can feed into the grid.

—To ensure full and effective public participation in electric sector decision-making.

—To supply all Ontario residents with basic amounts of electricity at an affordable cost.

I'll go through all these. I think they're fairly common sense.

In terms of the transition from non-renewable to renewable sources, our group of course thinks we need a phase-out plan for both coal and uranium generating facilities, because these do pose, I think, unacceptable burdens on current and future generations. They really can't be a component of sustainable development over the long term.

I think we are all aware of the increasing prices of oil when we go to the gas pump, and we know the oil supplies are going to peak in the very near future. I'm sure you've heard this and are quite aware of that. So renewables, such as wind, hydro and biomass, which is of particular interest to rural Ontario, are cost-effective today. They have low operating costs but often have fairly high upfront capital investment costs, just like nuclear power does. So there is a choice there: Where do we put our public dollars?

Another objective of Bill 100 could be to reduce greenhouse gases and pollutants. I think we're going to be under increasing pressure to do that. Climate change is linked to both health and our economy. We're seeing an increased frequency of extreme weather events like ice storms. We don't know if it's directly attributable to greenhouse gases, but they have economic and environmental consequences.

The Chair: And floods too.

Mr Hendrickson: And floods, yes. Peterborough—my in-laws are from Peterborough. They escaped it, luckily, and I know you're representing their riding.

Air pollution: We have an asthma epidemic. Asthma is just going up at an unprecedented rate, and there is certainly a link to coal generation there.

But more generally, I think we're going to see increasing pressure on businesses of all sorts to show that they are making environmental performance targets. Corporate responsibility is going to drive a lot of this transition and a lot of the impetus to reduce greenhouse gas and air pollutants.

In Canada here we're probably the furthest from meeting our Kyoto target of any industrialized country. Our record isn't good. Why not? We got off to a slow start. We're not performing very well. We hadn't funded this very well. We've got a very difficult target of a 6% reduction and we don't want to have a national consensus on the need for this despite, I think, the scientific community speaking in a pretty unified voice.

Full-cost accounting: You've probably heard about this, the environmental externalities associated with production. I mentioned coal-fired electricity production, which has both severe health and climate change impacts.

They're roughly equal, according to this international study done by Green Budget Reform, a fairly interesting group which includes people from a number of different countries around the world. For oil and gas, it's climate change which is the most worrisome externality, but certainly there are health consequences associated with the direct emissions from those facilities.

Security risks associated with electricity generation I think are why we are simply going to have to do the transition away from nuclear power. The risks are simply unacceptable. Up in Chalk River we had a meltdown in 1952. That was a wake-up call. The original NRG reactor: You may recall hearing that US President Jimmy Carter was one of the many military personnel who rushed into that unstable reactor and helped avoid a Chernobyl explosion-type catastrophe, but there were huge amounts of contaminated waste resulting from that meltdown at Chalk River.

So we know what can happen if things go wrong. We know that terrorists are operating around the world and we also know that the same technology for nuclear power is also used for weapons of mass destruction. I think all these things mean that nuclear power has to be phased out. But centralized power systems in general are vulnerable to terrorist disruption or climate disruptions.

We have to move toward more diversified and locally generated power sources. This is a primary strategy to have a secure supply of electricity. Things like advanced renewable tariffs for wind energy I think would be very appealing to rural Canadians. Up my way we have lots of farmers who haven't done particularly well with BSE and they're looking for alternative sources of income.

It's not just rural Canada that can generate electricity but cities also. There are experiments with putting wind generators, and certainly if solar ever becomes more cost-effective, we'll see a lot of development of solar cells on tall buildings in cities.

I think net metering—and there are many names for this, but you get credit for the electricity put into a grid—is an idea whose time has come. I know that the McGuinty government is proposing smart meters that can help with load management so that people can turn on their appliances when demand is low. That has some application, but let's jump to meters that allow people to feed into the grid. Why is that important? Well, look at an office building where they might be considering a wind tower on the top. The incentive simply isn't there to build more than the demand of that particular facility unless they can do net metering, unless they get some credit for what they feed into the grid. So not having that metering is a definite disincentive to renewables because renewables don't operate at 100% capacity, as you know.

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Another important aspect of locally generated power is simply that it promotes community engagement; it gets people involved. Community engagement and public participation are really, I think, where Bill 100 needs a bit of strengthening and a little more thought. I'm also on the board of something called the Ottawa River Institute,

and we've been working on climate-change education in Renfrew county schools, both separate and public, in partnership with a program called Destination Conservation. Civil society is really willing to get out there and do conservation work. When we hand out low-flow shower heads, people are willing to install them. You get results when you engage the public, and the Federation of Canadian Municipalities has done excellent work in this area. That has got to be part of the strategy for the government and part of the objectives of Bill 100.

You can't just ask a single authority like the OPA or its conservation subsidiary to do all this. You've got to create an environment where it can interact with other government agencies and formulate in common with others' goals and targets, and have appropriate monitoring and reporting systems to see if those goals and targets can be met.

Finally, I'd say a key objective—and I think people will appreciate this—is to supply all Ontario residents with basic amounts of electricity at an affordable cost. Again, that's not just the mandate of an OPA. Clearly, other finance ministry officials need to work on that as well. But electricity has to be integrated with other sectors such as municipal affairs and housing, natural resources and environment. That has to be encouraged in new legislation.

You can do innovative things like multi-tier pricing systems, where you get your basic supply of electricity at a fairly low rate and then it ramps up for people who have the money and have more expensive appliances; they pay more. That should be a way of encouraging conservation as well as making sure that power is affordable to all. Electricity really is a basic societal need and we have to treat it as such.

The Chair: We've got about seven minutes left in rotation. We have Mr Chudleigh first.

Mr Chudleigh: Are you suggesting that our conservation efforts could replace all of our coal-fired and nuclear generation over the next five, 10, 15 years? What kind of time frame—

Mr Hendrickson: No, I think the time frame for a coal phase-out of seven years or so is a reasonable one. I believe that's the ballpark there. Nuclear is going to take longer.

Mr Chudleigh: Seven years to phase out in 2007 or seven years from now?

Mr Hendrickson: Is it 2007? I'm sorry, I'm not—shorter, I think, is doable for coal.

Mr Chudleigh: I see. Thank you very much.

Mr Marchese: You mentioned smart meters and you said they have some application. We had a few other people here talking about how wonderful the idea is. I thought it was a very modest thing. Some people said you could possibly save 10% of power through smart meters. I didn't think so, I don't believe that, but there are a number of people who believe that this is really great. Your wording is that it has some application but it's really not that big.

Mr Hendrickson: I've even written the Minister of Energy to voice some concerns about this. Smart meters have some cost too for the utilities that have to do the billing associated with this. If you're going to jump into a new generation of meters, I think you should look at various options, look at the experience of some jurisdictions that have put in smart meters. Those people aren't going to sit there all day and monitor the price of power and decide when they're going to do their washing. That's not an option for most families. The savings from smart meters come from larger consumers of electricity, from industrial facilities. I don't necessarily see this as a key step for the average consumer.

Mr Marchese: In terms of the conservation bureau, you mentioned that on its own. Some people talked about the fact that it should be independent, the fact that it's merely there as a watchdog but really not proactively engaging the public on what else it could be doing and it doesn't really have much money to be able to give greater incentives than what it actually is doing at the moment.

Mr Hendrickson: It's been quite a while since I testified in front of a provincial hearing, and the last time I did it was on the Environmental Bill of Rights and the Environmental Commissioner. One person can really do a lot if they have powers to audit, to get into books, but I don't see those powers in the conservation bureau as it's presently written. What can a very small group do by itself? Not a lot unless it has those kind of auditing powers.

As I did say in my presentation, I really think that a broad engagement across the government and across levels of government is going to be required to get conservation in place. Certainly, civil society and industry have a major stake in this as well.

Mr Jean-Marc Lalonde (Glengarry-Prescott-Russell): On page 4 you refer to public awareness and implementing conservation. As was brought to our attention by a previous presenter, you mentioned that after last year's blackout, for two or three weeks people were concerned about how they were using electricity. Do you think the government has done enough to promote conservation to the people of Ontario? Everybody was concerned at that time, everybody was afraid to be in the dark again. Do you think that the government should continue to promote conservation?

Mr Hendrickson: I think a continuous effort is needed. Even that blackout last August was only in the media for a couple of weeks and then there were some stories about where was it caused, that it started in Ohio. Everybody relaxed. We know why it happened, but the fundamental root causes that could lead to future blackouts haven't been addressed; certainly not. We've been lucky. It hasn't been that hot a summer. We haven't had the kind of air conditioning demand in Toronto that—

Mr Lalonde: We've been fortunate this year.

Mr Hendrickson: We've been fortunate. Nobody wants blackouts to be the driver for conservation. If

we're not going to rely on disasters, then we have to rely on awareness-raising and continuing efforts.

Mr Lalonde: I have to say that last year when we had the exhibition in the Legislature on smart meters, I happened to go to one of the suppliers to borrow the equipment for a month. I went around to the rural areas telling them how much they were consuming in electricity using a certain part of a piece of equipment versus another one. I'll tell you, after they found if the swimming pool keeps running all day, comparing how much it would cost you if you shut it off during the evening, those people haven't used the consumption ever since. But we have to promote conservation.

Mr Hendrickson: Let me be straight, if I can, on smart meters. I totally agree that awareness by consumers of the power demand of a particular appliance is extremely important. If you can't measure it, if you don't know how much it is, you're not going to conserve. But my understanding of smart meters is that they often are a step removed from the consumer and they simply shift loads in a sort of passive and uninformed way. Maybe there are smart meters and smart meters. Again, I think my point at least holds that you've got to look at what you're giving them.

I spent half a day in the patent office across the river just to look at the kind of patents that have been taken out on devices that you can plug into your wall socket just to see what this particular appliance is using. I think there's a huge role for that and you can't really buy those in Canadian Tire yet.

The Chair: I want to thank you very much, sir, for your presentation this afternoon. We're out of time.

Mrs Cansfield: I have a question, not of the presenter; it's a question for you, please, Chair.

Two things: One is we've had some comments that have been made about the nuclear industry. Since we have a foremost expert in our midst, I wonder if we could get some accurate information around incidents, melt-downs, that kind of thing that was in this paper—and, sir, it wasn't just yours, it was others—just for the committee's accurate information.

The other is the issue around smart meters. The gentleman said to look to other jurisdictions, and I wondered if we could do that as well. Obviously, there's a misunderstanding as to what a smart meter is as intended in the bill and what's been happening in other jurisdictions.

The Chair: You'll have to consult with Mr Chudleigh and Mr Marchese on that for some additional information to be brought forward at this time. Mr Chudleigh?

Mr Chudleigh: I have no problem.

The Chair: No problem. Mr Marchese?

Mr Marchese: Just to point out, before we listen to—

Mrs Cansfield: It doesn't have to be now. It could be later.

Mr Marchese: That's fine. The point I want to make on the first matter, about nuclear, is that I'm not sure there is an accurate view on nuclear, because I think it's disputed by various authorities. So I don't know who we

should get to give different accounts of what is accurate on that matter.

Mrs Cansfield: My understanding is that there is an international agency that monitors these situations around the world, and this gentleman was the deputy director of that agency.

Mr Marchese: I hear that. We can do that too.

Mrs Cansfield: So I don't think that's biased when they've been identified and documented.

The Chair: Is there concurrence that we'll allow this gentleman to submit that information?

Mr Marchese: Sure, yes.

The Chair: And information on the smart meters to clear up any controversy or misunderstanding surrounding the smart meter concept. Who is doing that?

Ms Wynne: I didn't understand. So you're asking for a report, Donna, on that—

Mrs Cansfield: Yes, I'm just asking to give you accurate information. Research could do it.

Ms Wynne: Yes, great.

The Chair: There you go.

This concludes the presentations to the standing committee on social policy this afternoon. Thank you very much.

The committee adjourned at 1611.

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Act, 2004

Comité permanent de la politique sociale

Loi de 2004 sur la restructuration
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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
SOCIAL POLICYCOMITÉ PERMANENT DE
LA POLITIQUE SOCIALE

Thursday 26 August 2004

Jeudi 26 août 2004

The committee met at 1000 in the Oddfellow and Rebekah Centre, Orono.

ELECTRICITY
RESTRUCTURING ACT, 2004LOI DE 2004 SUR LA RESTRUCTURATION
DU SECTEUR DE L'ÉLECTRICITÉ

Consideration of Bill 100, An Act to amend the Electricity Act, 1998 and the Ontario Energy Board Act, 1998 and to make consequential amendments to other Acts / Projet de loi 100, Loi modifiant la Loi de 1998 sur l'électricité, la Loi de 1998 sur la Commission de l'énergie de l'Ontario et apportant des modifications corrélatives à d'autres lois.

The Chair (Mr Jeff Leal): I'd like to bring this meeting of the standing committee on social policy to order. I'd just like to remind members of the committee that yesterday I thought the preambles to the questions got a tad lengthy at times. When we have a minute I wonder if we could keep the question to 30 seconds and get the answer in 30 seconds. This is a very important piece of legislation, and I think it's important that all members get an opportunity to ask questions, so could you kind of keep those preambles short?

Mr Ted McMeekin (Ancaster-Dundas-Flamborough-Aldershot): If we got five minutes between presenters for a political exchange, I think it would solve the problem.

The Chair: I sincerely appreciate that the co-operation of all members has been wonderful in the last three days, and I know we'll keep that going today.

ASSOCIATION OF POWER PRODUCERS
OF ONTARIO

The Chair: The first presenter this morning is the Association of Power Producers of Ontario: Mr Butters, president. This is part of the expert witness group, sir, so you have 30 minutes. Any part of the 30 minutes you don't use will be set aside for questions. We certainly welcome you here this morning.

Mr David Butters: Thank you, Mr Chair and members of the committee. It's our pleasure to be here this morning. My name is Dave Butters. I'm the president of the Association of Power Producers of Ontario, APPRO. We appreciate the opportunity to appear before the committee.

With me are three of my board members. Colin Coolican is president of Regional Power Inc, a hydro power developer. Prior to joining Regional Power, Colin was executive vice-president with Conwest Exploration Co Ltd. He has significant experience in corporate and securities law as well as finance.

Sam Mantenuto is chief operating officer of Northland Power. He joined Northland Power in 1998 after 17 years with Ontario Hydro and is responsible for power plant operations. He most recently led business development, gas and electricity marketing and engineering. He was also a member of the Ontario government's NUG advisory committee.

Linda Bertoldi is chair of the Borden Ladner Gervais national electricity markets group. I would describe her as a distinguished legal person with a wide and varied career in all aspects of electric power project development, including natural gas, wind, hydroelectric, biomass and cogeneration.

We've supplied you with copies of our presentation, so if you want to follow along, please feel free to do so.

What we'd like to do this morning is briefly tell you a little bit about APPRO, discuss what generators need in order to invest in new supply in Ontario, and then make some recommendations about Bill 100.

APPRO is the collective voice of generators in Ontario. It's a non-profit organization representing more than 100 companies involved in the generation of electricity in Ontario. APPRO members produce power from cogeneration, hydroelectric, gas, coal, nuclear, wind energy, waste wood and other sources. Our members currently produce over 95% of the electricity made in Ontario and include both investor and publicly owned generators.

APPRO's mission is to promote the interests of electricity generators within a truly open and competitive power industry in Ontario. Our objective is a sustainable electricity sector that results in a reliable, affordable and secure electricity supply in Ontario; supports private sector investment and appropriate allocation of risk; provides a healthy and equitable business environment; supports all forms of generation technology; promotes the increasing use of renewable energy generation; and, last but certainly not least, leads to lower environmental impacts from all electrical generation technologies.

Let's put this into context. Mr Chair, you said that this is an important piece of legislation, and we agree. In fact, it's one of the most important pieces of legislation this

government will tackle in its mandate. Electricity is the very lifeblood of Ontario's economy. There's no getting around it: Without an adequate, reliable and affordable supply of electricity, the prosperity and quality of life we enjoy in this province just would not be possible.

While Ontario currently has about 30,500 megawatts of generation capacity, between now and 2020, factoring in the growth of our economy, approximately 25,000 megawatts of electricity capacity is due for retirement or refurbishment. That is simply a huge turnover in capital stock—something like 80% of our current generation capacity.

The need for investment in new production, transmission and distribution infrastructure in Canada over the next 30 years is estimated by the International Energy Agency to be in the range of US\$1.7 trillion. Furthermore, the IEA projects that more than half of energy production investments will be needed to replace existing and future capacity.

1010

In Ontario, the estimate is that an investment of \$25 billion to \$40 billion will be required to keep the lights on over the next 15 years. It would be a statement of the glaringly obvious to say that this is a huge amount of money to ask taxpayers to ante up at the same time we are struggling with a large deficit and debt in Ontario and are under enormous pressure to invest in health care, education and other critical infrastructure.

Mobilizing the very large amounts of capital required to ensure Ontario's energy future will require policy coherence, regulatory coordination and efficiency, and an attractive fiscal regime.

Ontario's ability to draw an appropriate share of North American energy investment rests on the conditions perceived by investors that differentiate it from opportunities in other parts of Canada, be that BC, Quebec, the US or even Mexico. So the stakes are high when we look at moving ahead with a plan to fix the electricity system in this province and create an attractive investment climate to overcome our supply-demand imbalance.

However, our future success is not guaranteed. As the minister noted before this committee on August 9, if we don't act quickly and prudently, we will find ourselves in very serious trouble.

So what is required to ensure long-term supply adequacy in Ontario?

Fundamentally, the overall policy framework for the energy industry needs to be clear, stable, and sensitive to the competition for investor capital. Ontario needs an energy framework that reconfirms its commitment to a rules-based, competitive approach to energy investment and supply. If our policy and regulatory processes are clear, efficient and effective, these and many other attractive features will ensure we are a destination of choice for energy investment.

All investors in generation, public and private, recognize that their investments are for the long term. A stable energy framework is necessary in order that plant capital costs and financing can be spread over a long period.

Uncertainty makes it difficult to predict industry structure or market models, and this deters long-term, large-scale capital investment.

Given the long lead times required to bring new capacity on-line, we need to stabilize our energy policy in order to provide a more certain foundation for the sector over the long term and to attract new investment to Ontario. A period of regulatory and legislative stability will demonstrate that Ontario is a solid jurisdiction in which to invest.

This means five things, really: first, re-establishing a viable investment climate; second, incenting reliable and economically efficient supply; third, ensuring generators are afforded the opportunity to earn a fair rate of return on their investment; fourth, ensuring that the government's role is appropriately defined and stable; and fifth, addressing market power issues in the restructured sector.

Investors need to see a stable political dynamic, with no undue political interference; allocation of resources to government-owned parties based on a rational and transparent application of long-term policy; a stable independent regulatory environment with a commitment to regulation that aims to coordinate and, where possible, harmonize regulatory requirements among departments and agencies within governments and jurisdictions without undue regulatory or economic burden; certainty in energy and environmental policy; creditworthy power purchasers who are willing to enter into long-term contracts; predictable pricing over the long term; the ability to hedge risk; willing financiers; and finally, a level playing field for all participants.

For example, we need to deal with existing generators who, in good faith, made reasonable investments in Ontario and have suffered from the unexpected changes in public policy. Obviously, this isn't part of the bill, but it's an absolute precondition for investor confidence in Ontario. The government has made some important steps in this direction. It needs to continue to work to resolve the problems of the so-called orphan generators. Fixing this will show that the Ontario government is committed to the maintenance of a stable investment climate.

I want to be clear that generators are not asking to be free of risk; what we are asking is that risk be assigned where it can best be managed. Unmanageable risk simply prohibits investment.

Where private investors can do the best job is on project development, construction time and cost, operation performance and operating cost, and environmental performance. Where the buyer can best assume risk is on elements that are currently within its control such as market regulation changes, environmental regulation changes, and other elements such as credit or payment risk and fuel price risk.

Of course, it's not just about what's good for supply. Loads also need to be able to manage their costs as a necessity for their selection of Ontario as an investment location.

At the same time, we recognize the importance—as do all parties—of demand-side management and energy

conservation as key components of meeting Ontario's environmental objectives and future energy demands. But these programs must have commercial and market discipline to ensure their long-term viability, and must be financed in a way that does not compromise Ontario's fiscal and economic health.

Furthermore, we need to factor in all costs and savings when evaluating various options. We need to ensure a level playing field between transmission, generation and other options. We should encourage cogeneration and we should allow local distribution companies or load-serving entities to make the case for capacity in their areas to solve problems and, if justified, allow the cost of capacity to be included in customer rates, similar to transmission.

So how does Bill 100 stack up against these factors? Overall, we applaud Bill 100. APPrO members were part of Ontario's Electricity Conservation and Supply Task Force, and this bill and the government's underlying policy approach reflect many of the task force's recommendations to achieve a balanced energy supply from a variety of technologies.

But it's also fair to say that we and others need to see the whole picture. As has been pointed out already at these hearings, Bill 100 amends the existing statute, but until all the regulations are out and we can understand clearly what the government is really doing and where this sector is really heading, it's difficult to know how the government intends to fit all the pieces of this puzzle together. In that regard, it would be helpful to us and indeed the industry as a whole that the government commit to a process of developing regulations in an open and transparent manner which will allow for meaningful input and debate and in which all of the stakeholders are able to see the comments of all of the other stakeholders on the proposed regulations.

One point we've made, and others are also making, is on the principle of competition. We believe that fostering competition is an important principle for the good of Ontario consumers. While this is not included in the bill's statement of purpose, it is an important point. If the government's intention is to use competition as a tool to achieve its objectives, then perhaps it should be reconsidered.

The government's end-state model also needs to be understood. While APPrO appreciates that in the short term there is a need for the Ontario Power Authority and the enhanced role of the Ontario Energy Board, these efforts will result in large organizations and a large regulatory burden. The government needs not only to address the immediate needs but also the end-state destination as well as provide a road map for the journey that will transition to that end point. An evolutionary policy is fine as long as we have a sense of the end place.

In addition to our general recommendations on Bill 100, the following specific recommendations are of importance to APPrO.

The creditworthiness of the Ontario Power Authority: The issuer rating obtained by the OPA is a good first step, but the conditions attached to that rating need to be addressed.

Appointment of independent directors should not be at pleasure: The IESO and OPA board selections should follow a public process and should not, as indicated in Bill 100, be at pleasure. It's important that these boards be apolitical, and having directors with fixed terms is more reflective of good corporate governance. Expertise and knowledge of the sector should be specific criteria.

The role of the OEB should be clarified further: While we want an independent regulator, APPrO does not want unnecessary duplication. There should be a clear description of what role the OEB will play in regulating the OPA in regard to the approval of proposed expenditures and recovery of costs.

Additional objects of the IESO and OPA: The ability to prescribe additional objects of the IESO and OPA through regulation is of great concern. A change in the role of the IESO and OPA should only be done by change to the act.

OPA recovery of costs: There should be additional clarity provided as to how the OPA will recover these costs.

The Ontario Energy Board and non-discriminatory access: This object has been removed from the OEB. While the IESO continues to have this role, participants in the marketplace may need the assistance of the OEB from time to time in ensuring that the IESO fulfills this role.

Market power: While the government has commenced the consultation process on the price regulation of OPG nuclear and baseload hydroelectric plants, APPrO would want to ensure that the regulation is no less detailed than the current market power mitigation agreement and that something more binding and detailed than a stakeholder public declaration be used for performance for OPG's non-regulated assets.

Finally, the OPA procurement process: As it evolves, I think the point here is simply that this process needs to be fully transparent. Minister Duncan said, "The recent turmoil in our electricity market has shaken investor confidence. We must send a clear and unambiguous message that Ontario is a good place to invest, and that politics will not impair the private sector's ability to earn a fair rate of return on their investment. If we can achieve this, then Ontario's electricity sector will become a place in which private sector resources can invest and earn a fair return."

We agree. We all want to see a healthy, competitive and environmentally friendly power industry develop in Ontario in as efficient and timely a fashion as possible. APPrO members want to build cost-effective new generation supply for Ontario. That's what we do. But if we want to mobilize the very large amounts of capital required to ensure our energy future, as I said earlier, we will require policy coherence, regulatory coordination and efficiency, and an attractive fiscal regime.

With this bill and with the current RFPs for renewable and clean power, the government has taken initial steps to ensure that this will be the case. We now have to get on with making this work in the best interests of all Ontarians.

Thank you, and we'd be happy to answer your questions.

1020

The Chair: Thank you very much. We have about 15 minutes for questions on this particular round. We'll keep the rotation going from yesterday and we'll start with the government side. I'll remind people: sharp questions, and we'll get everybody in on this turn.

Mr McMeekin: We'll be sharp this morning. Being sharp, it sounds to me from listening to you that your basic message to us is the government should get the heck out of the way and let the people who know what they're doing get on with providing the supply, that we need to talk about a level playing field and what have you.

I guess part of my struggle here is, to what extent should a government be intervening? We had Mr Caccia the other day suggest that we should be writing into the bill a statement of values and also targeting 25% renewables. In fact, you reference in your paper here about wanting to see a competitive, environmentally friendly power industry develop in Ontario. We want to see that too, and we can't afford to get it wrong.

Do you really want a level playing field where government doesn't intervene, and to what extent do you think government intervention around philosophical decisions like renewables is appropriate? Could you comment on that for us?

Mr Butters: Absolutely, and I'll ask my colleagues to jump in. Clearly, things like renewables are an aspect of government policy, and it's absolutely appropriate for governments to have those kinds of objectives and to ensure that whatever system we put in place meets those kinds of objectives. Those are matters of public policy.

Where governments tend not to do a good job is in areas where financial issues, market issues, really are better at determining outcomes and those kinds of things. I think what we have here, and what the government is trying to put together, is a hybrid market that recognizes that both have a role to play. In the very short term, there is a necessity for the government to play a larger role, given what has gone on in the past, and this is what it's essentially doing in terms of the 300-megawatt renewables RFP and the current clean energy RFP for 2,500 megawatts. I don't think there's a contradiction there, but as we move forward I think what most parties would like to see is less government involvement, less government interference. Let the private sector and capital get on with what it does best and make sure that the system, to the extent that the government and people want it to, reflects the kinds of social needs and objects that are appropriate.

Mr McMeekin: I'm an old soccer coach, and you never want a level playing field. You want a field that's a little bit slanted so the water runs off. It's amazing how many people talk about the level playing field these days.

Mrs Donna H. Cansfield (Etobicoke Centre): Two questions and a comment, very quickly. First of all, I'd like to make a comment to Linda, if I may call you Linda. What I call your Canadian Tire language version

of the bill is superb. Thank you for that. You've done two now, and they're just excellent.

Ms Linda Bertoldi: Our energy markets bulletin board?

Mrs Cansfield: Yes, it's just excellent.

I have a question on "The ability to prescribe additional objects of the IESO and OPA....A change in the role ... should only be done by change to the act." Why is this a concern to you?

Mr Butters: I think primarily it introduces another element of uncertainty. The more that's fixed in the act and the less that's left to regulation—obviously, in a system as complex as Ontario's electricity system and a bill that is as far-reaching as this, there are going to be many, many regulations, and all with a great deal of complexity. But to go back to a fundamental premise of our presentation, what investors are looking for is long-term stability and certainty. We can work in many different kinds of environments, but we can't deal with environments that keep changing.

So to the extent that regulations can change the objects of those organizations, it introduces just another element of risk. Risk is a cost that has to be built into whatever it is we manufacture and produce and therefore, Ontarians wind up having to pay for that. That's really the point. Maybe, Linda, you want to add to that.

Ms Bertoldi: Just to add briefly, I think people view legislation as a more permanent framework for government direction, and the concern is that regulation will allow changes that could occur more frequently. The hope is that the Ontario Power Authority is going to be given a very important mandate, which I think people recognize, and the hope would be that, once that mandate is enshrined, then it can get on with its job and not be subjected to changes in direction. So that's our thought, that the legislation is the best place to put the mandates.

Mrs Cansfield: The last question deals with the regulations. They are draft, they are out. You've been asked to comment. I know you've been in a number of times to see the folks on both sides, if you like—the political and the bureaucratic—around the regulations. But I was curious as to why you would suggest that other people's comments should be made public to you on those regulations. I find that fascinating. Don't you think that would limit people's openness? Why do you think that someone else's comments should be made public to you?

Mr Butters: I would take an opposite view to that, Mrs Cansfield, and it would be this: These issues are of such public importance, it would be appropriate for all of the comments—and I think it would certainly be helpful for those who are drafting it and having to respond to it to understand what other people are saying. That has been the way in which much of Ontario's electricity process has evolved over the past 10 years. It has been a collaborative process. So I think that what we're really saying is that they don't have to be identified, necessarily, but it could be a Web site kind of forum. But at least everybody who was looking at this would have an

opportunity to understand what other people were saying. I think that would be to the net benefit of everyone.

Mr McMeekin: In a general sense.

Mr Butters: Yes, in a general sense. There are ways of making sure that these are anonymized, if that's an issue. But this is what's happening with the RFP process, for instance.

Mrs Cansfield: Considering that it's a first that these draft regulations have been out for public scrutiny before being made, it certainly is an opportunity that I'll take back and have discussions with—

Mr Butters: Just a bit of democracy, I would—

Mrs Cansfield: They did it on the RFP in terms of the chat rooms, first of all, so I don't see why. I was just curious as to why you thought so, but I will take the suggestion back.

The Chair: Mr Craitor, quickly, because I want to get Mr Arnott and Mr Marchese in, and the expert witnesses. I want to give everybody an opportunity. You're next.

Mr Kim Craitor (Niagara Falls): I will be very quick. Two short questions. On page 4 of your presentation, it says that, "In Ontario, the estimate is that an investment of \$25 billion to \$40 billion will be required" over the next 15 years. If we went to the government being totally responsible for the delivery of electricity—because we hear that concept—I take it from what you're saying that the government, whoever it will be, would have to find somewhere between \$25 billion to \$40 billion if there was no private investment. The taxpayers would have to come up with that kind of money to maintain the electrical system we need over the next 15 years. Is that what that is saying?

Mr Butters: That's what that says. The people of Ontario, the government of Ontario, Ontario Power Generation or the Ontario Power Authority would have to go to the markets and borrow \$25 billion to \$40 billion. That would wind up on the books of the province of Ontario, and the taxpayers would be responsible for that, would bear all of the risk associated with that money.

Mr Craitor: And we'd take all the risks and responsibilities.

Mr Butters: All the development risk, all the construction risk, all the financing risk, all the operational risk—all of the risk.

Mr Craitor: I was interested in your comments about the selection to the IESO and the OPA being a public process, as opposed to at the pleasure of the minister. Do you want to just go over that again?

Mr Butters: I would add these on to Mrs Cansfield's comments. Our view is that these are matters of huge public importance. We want to have the very best people we possibly can on these boards. They're going to be tasked with very important decisions. They're going to be responsible for some very large financial and fiscal issues. That should be a public process and they should be for fixed terms and they should have some expertise in the sector—not all of them. I don't think the boards have to be stakeholder boards. They don't have to have

representation from every group but I think on those boards you want to have people who do have an understanding, because they're going to have to ask the very tough questions of their management: "Folks, why are we doing this? Is this the right thing to do?" That sort of thing.

1030

Mr Ted Arnott (Waterloo-Wellington): I want to express my appreciation to your organization for coming in today to express your views, and to compliment our Chair and clerk for conferring upon you expert status, because your role is going to be absolutely crucial in the next few years as we attempt to keep up with the demand for electricity. Certainly our party has worked with you in the past and would be interested in working with you in the future in that regard.

With regard to Mrs Cansfield's question about the openness of the consultation on the draft regulations, I would concur that, not unlike this process, which is completely open, where groups can hear what other people are saying, the exchange of views is helpful as the debate unfolds and I would certainly support and encourage the government to allow the consultation on those draft regulations to be as open a process as possible.

You've laid out your mandate as an organization. On page 3 of your presentation, you say you support "all forms of generation technologies" and you support efforts that lead to "lower environmental impacts from all electrical generation technologies." I was wondering what you could tell us about your opinion of the government's policy or intention to phase out all coal-fired generation by 2007. Does your association have a firm position on that, and would you like to tell us what it is?

Mr Butters: I would go back once again to the discussion I think we were having with Mr McMeekin; that is, what things are appropriate for government to do and not appropriate to do. There are many arguments for and against a phase-out of coal. The reality is that the government has decided it wants to go forward with this. That's a matter of public policy. I don't think it's for us to comment on whether that's good, bad or appropriate. There will be costs associated with it; there will be benefits associated with it. I think that's for the government to decide, and if that's part of the mix we have to deal with, so be it.

Mr Arnott: The other concern I have with respect to the government's policy, which I want to articulate in this round of questioning, is the previous statements by the current Premier when he was Leader of the Opposition. Apparently he made a statement at some point in advance of the election where he said, "The market is dead." You have stated clearly in a number of ways how essential it is for private sector companies that there be as much certainty as possible in terms of the long-term investment they're going to be contemplating. We have before us Bill 100, which would appear to indicate the government's intention to carry on with at least encouraging market competition in the generation of electricity, and yet we have the statements made by Mr McGuinty

before the election before us as well. To what extent do you feel confident that the government is going to continue with the policy they've started with in Bill 100 and to what extent are you concerned that before the end of the mandate the policy will experience radical change, perhaps because of past statements made by Mr McGuinty?

Mr Rosario Marchese (Trinity-Spadina): He's OK now.

Mr Butters: That's a very good question. What we're saying is that investor confidence in Ontario is the result of a number of twists and turns in electricity policy over the past few years. I would say that what we had previously was a market that actually worked. It did work and it did do what it was supposed to. What we wound up with was really kind of a failure of will to deal with it, but that's maybe another story. I think—and this is our view—that if the government can move forward with a policy that's consistent and coherent, if they can stick to that policy over a period of time, then that confidence in Ontario will return. Obviously, we can't look too far down the road with a crystal ball; all we can say is that if they do what they say they will do and they stick to it, then I think people will be able to deal with that kind of framework.

Mr Arnott: Returning to my previous question, if they're going to get rid of 25% of our electrical generating capacity in three years' time, do you not think it would be reasonable for them to be assured that replacement capacity is in place and ready to be turned on before they do it?

Mr Butters: Absolutely, and my understanding is that the minister has been very clear that those units won't be phased out until there is sufficient capacity to replace them. You can't just take them off-line; the lights will go out. That's what happens. They won't go out all the time; they'll just go out in peak periods. As I said, it's a perfectly legitimate government policy decision as long as we understand what the net benefits and costs are to that. Replacement power for coal is going to be more expensive than those units. Those units came on-line in 1969 or so.

Mr Arnott: I think my time is up. Thank you very much.

The Chair: Mr Marchese, you have four minutes.

Mr Marchese: Four? I didn't think I had that much time. I wanted to say, Mr Butters—and it may not be a surprise to you or to the other panellists—that we New Democrats support public power and we would keep the private sector out if we were in power. I thought I'd let you know that in the event that you didn't.

Mr Butters: I think I understood that.

Mr Marchese: But I did want to agree with you on three areas that you raised; first, that this bill merely provides a regulatory framework. You and Ms Bertoldi, the lawyer, made the comment that most of the real content of this bill is in regulations; that makes you nervous. It makes us nervous. While it is true that what's in the bill and what's in regulations is part of the ongoing

process around bills, we see much in this bill as regulatory framework that worries us about what's coming down the line. So we are as worried about that as you are.

I also agree with the other point about the appointments process; that is, that appointments should come in front of the government agencies committee, where the government appoints them and gives people an opportunity to raise questions to those individuals. I imagine that's the kind of process you're speaking to, right?

Mr Butters: Yes, or a similar process. Something like that would be right.

Mr Marchese: That's the only public process we have. I don't know how else you would make it public.

Mr Butters: In that case, that would be the appropriate process.

Mr Marchese: The third point is that if the government is indeed committed to the idea of private investment and indeed supports competition, as they say they do—you say, "If that is so, why not just put that in the objectives as part of the framework?" I'm a bit puzzled why they don't do that either. I wanted to support your contention that if they support that, they should state it in the bill and not hide from it.

Those are the three items I wanted to say I agree with them on. On everything else, we are in disagreement.

The Chair: Thank you very much for your very informed presentation this morning.

ONTARIO WATERPOWER ASSOCIATION

The Chair: Our next presenters are the Ontario Waterpower Association: Mr Paul Norris, president. Welcome, Paul. Good to see you again.

Mr Paul Norris: Good to see you.

The Chair: As you're part of the expert witness list, you have 30 minutes. Any time you don't use up will be reserved for questions from the committee.

Mr Norris: We'll endeavour to leave you time to ask us some questions.

Thank you very much, Mr Chair and members of the committee. You certainly have an important task in front of you over the next little while, and it's a pretty critical time and juncture in the evolution of Ontario's electricity sector, so it's a pleasure and a privilege to be before you here today.

My name is Paul Norris, and I am president of the Ontario Waterpower Association. Just by way of background, our organization was formed in May 2001 primarily as a response to the commercialization of the electricity market at the time. We were formed with eight founding members, two of whom are to my right and left, and we've grown over the last two years to represent a broad cross-section of water power generation and interests in the province. Big or small, industrial or municipal, they're all members of our organization. Our smallest generator is a 50-kilowatt generator on the Mississippi River and our largest would be OPG.

To my right is Mr John Mattinson. John is the president and secretary of the Orillia Power Corp, a former

municipal water power generator, and he's currently chair of our board of directors of the Ontario Waterpower Association. To my left is Colin Coolican, whom you've already met. Colin is president of Regional Power. It's a water power generator with assets in Ontario, Quebec and British Columbia. Colin is a past director of the Ontario Waterpower Association.

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As I said at the outset, we hope to leave time following our presentation for any questions you might have. I'm particularly pleased to follow representation from APPrO. We work very closely with that organization. As they've pointed out, they represent the broad cross-section of electricity generators; we're specific to hydroelectricity.

In addition to the presentation I've brought today, I have tabled with the clerk for the Chair's and the committee's reference some past reports that our industry has tabled with previous governments and this government. Those are reports that were generated in co-operation with the wind industry and the biomass industry as a renewables collective. Many of the policy initiatives I'm going to speak to today have already been referenced in the past.

In addition to the handout I've given you, you'll see our last newsletter. Fortunately, our feature article in that newsletter was on Bill 100, and you can read that at your leisure.

The first slide you have in your presentation is just an overview of Ontario's water power resources. In this province we're truly blessed with a significant amount of water power resources. Our installed capacity exceeds 8,000 megawatts and our annual production is about 40 terawatt hours; about a quarter of the province's electricity production. In the northeast part of the province, our industry still accounts for more than 80% of the generation. In total, there are just fewer than 200 operating facilities in Ontario. As the graph in front of you shows, the vast majority of that capacity is still controlled by Ontario Power Generation. I would bring to your attention, however, that the vast majority of facilities are not. The majority of water power facilities in Ontario are owned and operated by the private sector, and have been for some time. Whether or not you include municipal in that, that's the way it's been in Ontario, and that balance of public and private ownership has been in our industry since 1894.

In the second slide you'll see a representation of the portfolio that we have in this province. So in addition to the geographic distribution of our resources and our facilities, we've got a wide variety of installed capacity—this is the pie graph. Twenty per cent of the 190 or 200 facilities I talked about are less than one megawatt in size, installed capacity in the province. Another 35% are less than 10 megawatts. In our view as an industry, this diversity is an important advantage in our sector, in our industry. In our view also, it's important to consider that diversity when crafting broad, sweeping electricity policy. The 500-kilowatt generator and the 500-megawatt

generator have different needs but are just as valid in the production of renewable energy in our province.

Briefly, in slide 3, I just wanted to remind the committee—although I know you're probably well aware of these—of some of the key attributes of water power generation and I want to relate it to the bill in front of you. Typically, water power generators enjoy a relatively long plant life cycle. The vast majority of facilities in Ontario were built before the 1950s, and several date from the late 1800s and are still running—and many of them are still running with original equipment. It's an extremely effective method of realizing potential energy, with generator efficiencies typically rated in the 80% to 90% range.

Unique to our industry is the ability to store energy and release it when it's most needed. That's an attribute, in particular, that warrants consideration in public policy dialogue and one that, in my view, has not received the attention it deserves. We have engaged over the last two or three years in several discussions about the relative merits of run-of-the-river versus storage-based water power. Again in our view, they're both valid, they both have a specific value and they both serve specific needs.

The geographic distribution of our facilities provides a form of energy security to the province. I'm sure that's a topic you've heard a lot about from the advocates of distributed generation. Our 190 facilities are located right across the province; 126 of them are south of the French and Mattawa Rivers. Most of them are in our backyard; there are a lot of them just up here from me in Peterborough.

Additionally, as was demonstrated last August, the ability of many facilities to provide black start can be of particular importance. If you looked at the IMO's chronology of how we got back up and running after August 14, you can look to the Beck, you can look to the Saunders, you can look to the northeast water power generation. That's what allowed us to get back up and running.

More tangible to me is the fact that in my home town of Peterborough, Ontario, our local utility used the 800-kilowatt water power generator to run the hospital while we were out of power. And that happened across the province; it wasn't unique to Peterborough.

Finally, and I think importantly, water power can respond very quickly to changes in fluctuating demand. We can ramp up and ramp down more quickly than any other form of generation, and I'll build on that point in the following slides.

My real message here is that water power isn't the panacea for Ontario's energy challenges, rather that the dialogue we've been having around 25,000 megawatts or 30,000 megawatts of installed capacity we need to replace over the next five to 10 to 20 years needs to be broader. It needs to be a dialogue about energy and about the attributes of those energy sources. It's not just a number.

In the next two slides I'm going to emphasize the observation I've made with respect to water power's

contribution, and specifically the contribution of storage and ramping. The first slide in front of you, slide 4, is from the IMO Web site illustrating the fluctuation in demand during a day this August. As you will note, the demand increases from a low of approximately 16,000 megawatts to a high that approaches 22,000 megawatts on this particular day. You could develop a similar profile weekly or seasonally if you wanted and you would see a similar fluctuating demand. Again, the point is that it's not all about the numbers; it's how you meet the fluctuating demand.

Next is slide 5, and I'm going to show you the documentation of what water power does in those days. This is a similar daily profile from August a year earlier. It happened to be August 13, 2003, so that was the last date we had a profile for some time. Note here that the water power generation moves from approximately 2,500 megawatts to about 5,500 megawatts over a similar time and scale to the changes in provincial demand. But as important as that changing and fluctuating demand is that ramping I talked about, or the slope of the graph. If you look between hour 5 and hour 7 into hour 8, that change in electricity production exceeded 3,000 megawatts. The point is that water power responds, and responds quickly, to changes in demand. It's unique to our industry.

Before moving to our observations on the draft legislation, on the next slide, I'd like to take the opportunity to dispel a popular notion, namely, that there are no water power opportunities left in Ontario. Our organization has conservatively estimated that perhaps 4,000 megawatts of new renewable water power could be responsibly realized between a combination of new development and development of existing assets, and both are important. In fact, if you look back to the hydraulic component of Ontario Hydro's demand-supply plan in 1990, it indicates that more than 4,500 megawatts were available for development through the public and private sectors. The listing I've offered you here of known developable sites, redevelopment, inventoried sites, the Moose River basin, opportunities in parks, northern rivers and pumped storage, isn't intended to represent that which will be developed or that which should be developed; rather, that's what's out there if we choose through public policy to go after water power development. It's been a long road, I'll tell you, in getting water power recognized as having that opportunity. Despite that, there are still those who figure there are no opportunities left in Ontario. Talk to the gentlemen next to me and I'm sure that they'll say otherwise.

In the next slide is just a brief word about some current key impediments faced by the industry in Ontario and why, quite frankly, many Ontario-based companies are investing elsewhere. The reason I'm including these slides in the context of your deliberations on Bill 100 is to emphasize the need for strong and explicit provisions in the legislation in support of renewable water power. Based on our experience in the past, the use of implicit instruments—for example, environmental policy—has not resulted in the recognition of government direction in

the mandates of key ministries and agencies with legislative responsibilities related to the sector.

Our first example is the inability of our industry to pursue new development opportunities on provincial crown land. In effect, there has been a moratorium on new water power development on over 85% of the province's land base for more than a decade. And this has not been a result of explicit government direction, rather it has been the absence of a policy framework for water power resource allocation and development. A direct result of this inaction has been the inability for water power proponents to bid new projects into the government's 300-megawatt RFP for new renewables. This potentially skews the results of that process, because you're not going to have that resource brought to the analysis.

I will say that a draft policy framework has recently been posted for public comment, and we are hopeful that it's in place to support the full participation of water power in the next RFP. It is, however, a classic case example of the need for strong direction through electricity legislation.

This brings me to my second point. In our view, renewable energy should be considered a matter of provincial interest in the same context as we view other significant resources that are to be responsibly developed and managed for the benefit of our present and future generations.

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Across the province, our members are actively engaged in resource management planning exercises designed to achieve a balance of economic, environmental and social objectives potentially impacted by a commercial electricity market. Our experience to date in these and other initiatives has been that the stated provincial objectives related to renewable energy are not easily translated into regional or local discussions. Renewable energy in and of itself is a value that should be articulated.

Finally—and I know you've seen this before—there are myriad policy and program silos that need to be addressed. I've heard recently that a new addition to the bureaucratic lexicon is horizontality. If ever there was a need for such a concept, it's in renewable energy. In our sector in particular, we are facing the elevation of the water agenda—appropriately so; socio-economic objectives related to First Nations; and an increased infrastructure emphasis, to name a few. As I'll suggest in our recommendations, cross-agency coordination is imperative.

Now to some advice from our industry for your consideration. We will be providing a written deputation to the committee and, in the time allotted, will just provide an overview of some key areas.

First, there are a number of provisions in the draft legislation we would strongly encourage the government to retain. We fully support the provision allowing for ministerial directives for renewable energy sources and see this as the basis for the potential evolution of the

current RFP process into a provincial renewables portfolio standard. We would also suggest that the objectives already articulated by the government be confirmed through such directive immediately upon implementation of the bill. In the interim, it's important, in order to maintain the momentum, that the government continue to take steps to achieve the identified targets.

We also support the provision directing that there be a simpler procurement methods for renewables. One such example would be to move toward a feed-in-tariff model once government had a full appreciation of the potential of renewables; another would be to implement the RPS in the future.

In addition, we support the provision allowing for voluntary marketing by LDCs or load-serving entities as they evolve. In our view, consumer choice should extend to generation type, and any provision that can facilitate this choice is positive. We understand and appreciate the potential concerns of LDCs in this regard and are committed to working with them through the EDA to develop a mutually satisfactory approach.

In slide 9, we would also like to offer some suggested basic amendments to the draft, again for your consideration. Most of these are fundamentally related to the enabling nature of the proposed legislation, as was discussed by APPRO, providing for a number of key policy issues to be addressed through regulation. For our industry, there are some areas that would benefit from legislative certainty.

The first area is in the definition of renewable. While we applaud the inclusion of water power, both new and incremental, we are concerned that the definition could be restricted by regulation. Basically, water power scientifically is renewable. Say it's renewable; enshrine it in legislation. Other objectives, be they environmental, social, economic or otherwise, should be developed through separate policy initiatives, such as environmental legislation or sin tax legislation, but they should not be dealt with through electricity legislation.

We also seek certainty with respect to the regulated assets. As currently constructed, the bill seems to suggest that any generator could be prescribed by regulation to a regulated rate. Based on the earlier deputation from the Ministry of Energy, it is our understanding that it is the intent of the government only to include, from our sector, the OPG Niagara and St Lawrence water power plants as heritage assets. If this is the case, we would recommend that this be defined in legislation.

I would caution the committee on the discussion around baseload generation versus peaking generation as a potential approach to heritage assets. Baseload generation would include all your small hydro. I think the discussion around what is or what isn't heritage assets needs to get away from generic definitions and into what the perceived or desired role of OPG is in the market and what the relationship of that company is to the government. If, for example, the company has a role on boundary waters, you're going to have a different definition than if you decide that it doesn't.

We would also advocate that the legislation enable the participation of key sectors, including renewables, on the proposed advisory committee to the government. This is consistent with our recommendations for better recognition of renewables.

As a number of others have pointed out, the credit-worthiness of the OPA requires better definition. Suffice it to say that water power, as a capital-intensive sector, is particularly interested in this area.

Finally, as noted earlier, we would recommend that the current targets of 1,350 megawatts and 2,700 megawatts of new renewables by 2007 and 2010 respectively be defined in legislation or be directed through a minister's order upon implementation.

Our final advice focuses on potential additions to the legislative framework. The first is in the area of transmission. While we understand and appreciate that this issue is to be addressed later this year through separate consultation, we would encourage the committee to consider its relevance to your deliberations. As outlined in our earlier report to government, the renewables industries have suggested a balance between the existing generator-pay approach and a rate-based approach to transmission costs, recognizing that, for the most part, renewables are where they are. We would also suggest that the committee seriously consider the incorporation of a renewable energy secretariat within government, defined in legislation, again, as outlined in an earlier report of the renewable energy task team. In my view, the government's efforts to establish a conservation culture should be matched by a strategy to create a renewables renaissance.

In closing, some key messages for your consideration:

In my view, conservation and renewables are both public policy objectives, as articulated by the government, and they should be afforded the same degree of consideration and support through government policy.

In my experience, electricity legislation is going to be key for other ministries' policies and programs. Unless you have a strong, articulated, consistent, concise electricity policy in this province, there isn't really a lot of impetus for the other agencies of government—who, after all, implement the legislation—to be on the same page.

I know you've heard this before: Investors need certainty. Ontario is competing with other jurisdictions. Several of our members are building somewhere else. It's not that they don't want to invest in Ontario; it's just that the climate of uncertainty would not support the level of risk they are willing to incur.

I guess the final observation from my experience, having been fortunate enough to sit on the Electricity Conservation and Supply Task Force and speak to the Manley commission and make a deputation to the select committee on alternative fuels, I see this bill as an evolution. I don't see it as an endpoint in and of itself.

I would encourage the committee to reflect upon the good work that has been done over the last three or four years on this sector. It has not all been work dealing with

public versus private; it has not all work that's dealt with the commercialization of the market; there has been a lot of good work done by a lot of good people that, I think, warrants some consideration. I think, at the end of the day, Bill 100 can take us forward but, again, I don't see it as an endpoint; I see it as part of an evolution of the sector which is going to continue to evolve as we struggle with public policy.

The last slide I have is just a quote that I was happy to see from Minister Duncan on August 12, 2004. It's starting to filter down that we do have water power, and I think it is a good example of the relationship between economic policy, environmental policy and energy policy—the three Es, as I call them—because economically it makes sense, environmentally it makes sense and from an energy policy perspective I think it makes sense. Again, we're not a silver bullet; we're part of the solution.

Thank you very much for your time and for your attention.

The Chair: Paul, thanks so much. We have nine minutes for questions. On this particular rotation we have Mr Marchese first, followed by the government and followed by Mr Arnott.

Mr Marchese: Thank you, Mr Norris and other members. You raise some good points because, even yesterday, I believe it was, in Ottawa, somebody commented about the limitations of water power and obviously said what you're saying, that people actually believe there isn't much left to garner from water. When I look at your slide—I'm not sure what number it is—it says, "There are opportunities." It talks about known development sites, about 1,500 megawatts of potential redevelopment and additional inventoried sites—2,700 megawatts. Looking at this chart, there's a lot of potential there.

Let me understand: The government in consultation with you doesn't see that as part of that option? Did you actually say you can't bid or are limited in bidding?

Mr Norris: There are a couple of things. Again, it goes to the notion, at least, of cross-ministry coordination and a renewable energy secretariat, that model. The Ministry of Energy certainly recognizes water power as a key element moving forward. They've included in the 300-megawatt RFP both new and incremental water power which would get to redevelopment. So I don't think that's a particular challenge.

Whenever I see the quotes around there being no hydro left, I consider the source as to where those quotes are coming from.

Mr Marchese: And that might be where?

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Mr Norris: Well, it may be an advocate of another type of generation. It may be somebody who may not be as informed about—I mean, quite frankly, if you think of 106 years of Ontario Hydro, and if you think about the relationship in people's minds between the word "hydro" and the word "electricity," they're one and the same in most people's minds. So it's an education strategy as

much as anything for us to get out there and make sure that people understand.

Mr Marchese: I agree with the potential, and we should be looking at that very carefully.

I also agree with your suggestion about having a renewable energy secretariat. There is a proposal to have a conservation bureau. There are some limitations—many people have spoken to that—and one of them is that it's not independent, that it's attached to the Ontario Power Authority. In addition, it doesn't seem to have much power in terms of what it could do. It's there mostly, as many people have talked about, as a watchdog, as recommending and making suggestions and so on, but there isn't a lot of money or power to actually be proactive in that field. Your point about it being connected to conservation is a very good one. I think we should be—

Mr Norris: Yes, I think they're parallel policy objectives that the government has articulated. We've advocated for some time, based on our experience either through red tape commissions or other initiatives, that while the Ministry of Energy articulates energy policy, the implementation of that policy resonates across ministries.

Mr Marchese: Sure. I agree. The other point you talked about—and I forget the terminology—is that they've done it in Germany in terms of the feed.

Mr Norris: Feed-in tariff, yes.

Mr Marchese: The feed-in tariff model. First, I've got to admit some of us are not experts in this field. When you listen to that, you don't know quite what it is, but it is something governments have to be proactive in doing, and if you don't take that approach, you're not going to get more renewable. Your point about this is that unless we do that, we're not going to have much renewable energy coming on board, right?

Mr Norris: Well, no. I think the point is that the legislation we think appropriately identifies, consistent with the government's objectives for renewables, that procurement methodologies for renewables will be simpler. One of the models that is simpler, as opposed to a competitive bidding process, is to establish a feed-in tariff. In fact, what we had recommended is that, based on the experience of a full competitive bidding process, where water power was actually part of—the government could sit back and reflect upon the experience of that process and determine what the appropriate approach would be to a feed-in tariff.

I think we've seen an astounding amount of response to the 300-megawatt RFP, according to the figures I've seen. I would have liked to see a lot more water power at the table and, hopefully, there will be in the next one.

Mr Marchese: In fact, there are 4,400 megawatts of power recommended under that green power initiative. My hope is that we could expand that beyond 300 megawatts. I agree with that.

Mr Norris: Absolutely. I think, for us, what's needed is continuity. This is the first 300-megawatt RFP. Let's learn from that, let's get the next one out and let's get the

next one out. Gentlemen to my right and left, I want to be able to look out three, five, 10 years to see what the policy framework is going to be, and nothing creates that certainty like continued effort.

Mr Marchese: I agree, finally, with your last statement about the bill. You see the bill as an evolutionary process rather than an end in itself. Often bills tend to stay that way for quite a long time and would make changes very slowly into it. So it's good to see it in an evolutionary state rather than an end in itself. Thank you.

The Chair: Quickly, Mr Craitor, and then Mrs Cansfield.

Mr Craitor: Thank you for your presentation. I just want to comment on water power. As the member who represents not just Niagara Falls, but I think across Ontario we're sort of recognized, for whatever reason, as the hub of electricity, I will tell you that in the short time I've been a new member, water power is significantly recognized by the minister. In fact, in the short time since we became the government, one of the first things was the announcement of the new Niagara tunnel; a third tunnel to utilize the water that we have with the existing Beck 1 and 2. I think it was the front-line workers who explained to me—as my friend from the NDP indicated, we're not all experts—that there were some great opportunities to generate more electricity. We just had to get more water into it and balance not shutting the falls down. So we've done that, and there's going to be opportunity to generate more electricity, which is, as I've learned, the most cost-efficient way to do it. That's a real benefit for the taxpayers. That was just a comment to make you aware that the government does recognize the importance of that.

The only thing I wanted to mention was—and I won't go into all the detail, because, again, my colleague from the NDP mentioned this—I liked your suggestion about the renewable energy secretariat. I just wondered if, when you get an opportunity, you could just elaborate a little more specifically in writing on what you see the role as and how it would function. Maybe it's something we could take a look at.

The Chair: Paul, if you could do that for us quickly, I want to try to work in Mr Arnott, because your presentation is very important. They'll get back to you in writing, I think.

Mr Craitor: Right. So we'll leave it at that.

The Chair: Mrs Cansfield, please, a short question, and then we want to get to Mr Arnott.

Mrs Cansfield: I'd like to see your comments on the regulation that deals with the prescribed generators and facilities, Paul.

Mr Norris: OK.

Mrs Cansfield: The other is, you have identified some interministerial barriers. I'd certainly welcome an opportunity to have those identified as well, as we move forward. You're right; it's the interconnectedness. One hand doesn't know what the other hand's doing, and if they do, they don't care.

The other is—and again, it builds on what Kim was saying—how to work the renewable into the conservation secretariat, because the conservation secretariat is only identified in the bill as “It will be established.” What it will do and how it will function will be in regulation. So I think that's an important part that you could be a contributor to. It's only described in its existence. So could you do those three things?

Mr Norris: Absolutely. I'd be happy to.

Mr Arnott: I just have a quick clarification question. When I look at your presentation, under the section, “Our Advice—amend,” you said, “Definition of renewable should include all water power.”

Mr Norris: That's right.

Mr Arnott: Which kinds of water power currently are excluded?

Mr Norris: The way the bill is drafted right now is that all water power is included except that to be defined by regulation. All we're saying is that if it's in, it's in. My observation would be that that provision is likely related to either environmental objectives, economic objectives or, I don't know, some other objectives. As Ms Bertoldi pointed out, to then have that being potentially changed by other governments as to what the definition is doesn't seem to be a productive use.

Mr Arnott: That to me sounds crucial, because the whole door could be closed on you by government fiat or through order in council at some point.

Mr Norris: That's right, and it's the same for wind and biomass.

The Chair: Thanks very much, Paul, for your presentation today.

Next, we'd like to call upon Eco-Energy Durham, Chris Coltas, president. Is Chris here? Chris is not here.

PRINCE EDWARD COUNTY WIND CO-OPERATIVE

The Chair: I would then ask the Prince Edward County Wind Co-Operative, Paul Johnson, board member, to come forward, please.

Mr Paul Johnson: Mr Chairman and members of the committee, I want to thank you for the opportunity to speak to you today. My name is Paul Johnson. Also with me today is Bill Vloeberghs. We represent the Prince Edward County Wind Co-Operative. Bill is the president. He's hiding in the corner. I'm a board member, and I'm here to make the presentation.

How did Prince Edward County Wind Co-Operative come to be? I think, first of all, I just want to focus on wind power—I know the broader context of Bill 100—because it's what's close and dear to the hearts of those of us on the board.

From 2000-03, I was a councillor in Prince Edward county, and an application was made before council to establish what is often called a wind farm in Prince Edward county. It was at that time that it became necessary for me to study many documents. I wanted to be sure that I could objectively come to some conclusion

with respect to the status of wind turbines and whether they were suitable and indeed good for the municipality of Prince Edward county.

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Vision Quest, a company from Alberta, made the first attempts to establish windmills in Prince Edward county. They had contracts with landowners. Unfortunately, some nearby landowners objected and now they are in the midst of an Ontario Municipal Board hearing, which is coming very close to its third year—at a pre-hearing, so far, I might add. We haven't even got to the full-blown hearing yet, and that is extremely unfortunate.

The reason we established the Prince Edward County Wind Co-operative was because there seemed to be a sense in the community that this company was going to establish the wind farm and there was going to be nothing really for the broader community. So we entered into negotiations with Vision Quest and they agreed to allow us to purchase one of the larger wind turbines out of approximately 13 that they were going to put up. This way, people in the community could actually purchase shares in the wind co-operative and benefit from wind power. Unfortunately, some objectors have taken us down a road we didn't expect to go and we are now in this Ontario Municipal Board hearing.

The status of our wind co-operative is such that we are only a board at this point in time. The reason we're only a board is because we don't want to go to the public and ask for public membership because we're not certain at this point what the outcome of the Ontario Municipal Board hearing will be. We're extremely optimistic that it'll be successful and the wind turbines will go up, but there's no certainty with respect to that. Therein lies the problem. I studied extensively, for a number of months, documentation from what I considered experts from around the world with respect to the matter of wind turbines and concluded that, other than the objection of how they looked on the horizon, there was nothing really environmentally negative that could be attached to the wind turbines that was significant.

So my objective conclusion was that this was something I would support as a councillor, and indeed the majority of councillors in Prince Edward county did support this. However, opposition has, as I said, brought us to the Ontario Municipal Board.

The unfortunate thing—and I think the Ontario government has to understand this. They have to move forward in a very meaningful way through both policy and regulations to expedite what has become a long and protracted event that needs to be brought to a conclusion much quicker than has happened at this point in time. In fact, we haven't come to a conclusion. The costs, both personal and municipal, are quite significant. The municipality has spent, as I understand it, many hundreds of thousands of dollars on lawyers to deal with this issue. Some of the contracted farmers—three farmers I know are beef farmers. As soon as I mention beef farmers, you know the difficulties they've been having. They were counting on the revenue from having these wind turbines

located on their property to assist in their income, and this was prior to mad cow disease, which we know has devastated the beef industry across the country and in Ontario.

One thing we know for sure in Prince Edward county is that it's a windy place. It's a great place to place wind turbines. Windy places anywhere are good places, and we have probably one of the windiest places in Ontario. I think largely the community is in support of wind turbines. I gather this from some solicitations we've made with respect to asking people whether they're in favour or not, and the majority by far think this is a good thing. We know that wind turbines are an efficient way to produce electricity. They don't, relatively speaking, produce a lot of electricity, but if you have enough of them, they can produce significant amounts of power. Detractors will say, "They don't produce any electricity when the wind's not blowing." That's absolutely correct, but they're almost 100% efficient when the wind is blowing. I might suggest that nuclear plants, when they're not operating, don't produce electricity either, and it's something you might want to keep in mind.

Mr McMeekin: That has never happened in Ontario, has it?

Mr Johnson: I think I heard something on the news yesterday with respect to that, as a matter of fact.

The health benefits: You may know that Belleville won the award for having the worst air in the province of Ontario. Prince Edward county is just south of Belleville. I can only surmise from that that Prince Edward county probably had the worst air in the province of Ontario too, and we're a rural vacation play land. I find it terrible to think that that's the state we find ourselves in.

We know that wind turbines don't create any pollution. They are relatively benign with respect to their environmental impact. I think that it's incumbent upon the province to, as soon as possible, speed up and allow for the development of wind turbines where they can be located in the province.

On Bill 100 specifically, I think the Ontario Power Authority is an interesting undertaking. The conservation bureau within that organization is also interesting. I might suggest that although our focus and our most important consideration is wind turbines, we also advocate for conservation. I think it was Paul Gipe from OSEA who said that if every household in the province of Ontario just changed two incandescent bulbs to fluorescent bulbs of the same wattage, we could save 750,000 kilowatts or something like that. That's a significant saving. So we can't underestimate our conservation efforts.

I would implore the province to take any education they can undertake with respect to the public of Ontario and encourage them to conserve. Maybe we have to be a little more draconian. Maybe we have to have rules and regulations that force some of the changes that people are reluctant to otherwise make. It may seem draconian, as I say, but we're somewhat at war. Although we're just on the brink of war, we're at war with ensuring that the

environment is saved, or improved upon at the very least. I can't say enough how I believe that wind turbines can make a huge contribution with respect to that.

Wind turbines as a stand-alone entity have been examined and used around the world. They come in various shapes and sizes. It's absolutely correct that they have some small environmental impact, depending on where they're located. However, in the grand scheme of our industrialized society, we think of all the things we have built and operate within our society, whether it's our large SUVs or our skyscrapers in Toronto. Other means of producing electricity—God knows that oil and gas are going to become prohibitively expensive in the future. By comparison, windmills are benign. Anyone who would come forward and argue at an OMB hearing, in my opinion, that there are environmental reasons as to why we should not have wind turbines would simply be selfish. I just want to emphasize that.

What we have now are good words from the Ontario government. Lots of governments in the past have said lots of good things. I think it's time now that the Ontario government and all parties work together. That's so important to ensure that some of these good words become the good actions that are necessary.

I can't emphasize enough how important conservation is. I think there have to be some very strong policies, rules and regulations with respect to that. Education of the public is so important.

With respect to wind turbines, it's often said that they don't produce enough electricity to be that important. But we know that just one drop in the ocean raises its level. Thank you.

The Chair: In this rotation, Mr Arnott, you're first.

Mr Arnott: It's good to see you, Paul.

Mr Johnson: It's good to see you, Ted.

Mr Arnott: I want to thank you for your continued public service through your involvement in the Prince Edward County Wind Co-operative. It sounds like it's something you've put a lot of effort into. Your experience and knowledge I'm sure have benefited that organization as you move forward.

I don't want to say anything that would appear to be interfering in an issue that's before the Ontario Municipal Board, but surely we would want to carry on the ability, I suppose, of an individual or a community group to object to a decision that's been taken by a municipal council by appeal to the Ontario Municipal Board, even if it is a wind power generation proposal. So is it a matter of resources or streamlining the hearings, or what would you suggest is needed to make these processes expeditious?

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Mr Johnson: Certainly streamlining the hearings would be good. The process seems to be long and protracted. I also believe we don't have to reinvent the wheel. There is significant expert opinion around the world that indicates how wind turbines of the various sizes and designs may impact on the environment. Again, of course there are prejudices, as there always are, and

people opposed to them will find every opportunity to use whatever information they can that supports their arguments. Those in favour of course will find every opportunity to use favourable comments. I can only say that I had no opinion and I objectively read thousands of pages of material and came to the conclusion that for our community in Prince Edward county, it was a good thing. I know it's before the Ontario Municipal Board and they will in due course come to some conclusion with respect to the matter. However, it is disheartening to see how long it has taken to get to the point where we are today, which is that we haven't even got to the full hearing yet and we're almost into the third year.

It's very, very long and protracted—very unnecessary. If we're to continue down this road in the province, if the next time we have a wind farm to be established, let's say, in another municipality and we have someone oppose it and it goes through the same long, protracted process, wind turbines will never exist in Ontario. So the government has to take a stand. They have to do something very proactive and they have to make sure that—maybe that windmills can exist as of right.

Mr Arnott: I suppose it underlines the challenge we all face in the province if you accept and recognize that we need to replace 25,000 megawatts of power by 2020, and how are we going to do it?

Mr Johnson: If we're going to use windmills, we certainly have to—

Mr Arnott: Yes. It takes years in some cases even to get to the point where you're ready to construct because of approvals processes.

Mr Johnson: We're in very serious difficulty if the government doesn't move and act quickly, because without quick action the requirements for 2020 will not be met.

The Chair: Thank you very much, Mr Johnson.

ECO-ENERGY DURHAM

The Chair: We now call our next presenter. I understand that Mr Coltas from Eco-Energy Durham is here. Chris, welcome. You have 15 minutes, and any time that you don't use will be reserved for questions.

Mr Chris Coltas: Thank you. I'd like to thank the committee for letting me speak today. My name's Chris Coltas, and I'm here representing Eco-Energy Durham. We're a non-profit, community-based renewable energy cooperative. We formed in 2002 following a green energy workshop that was held in Ajax. We incorporated last July, again as a community-based, non-profit renewable energy co-operative. Our goal is to work toward reducing particularly Durham region's dependence on nuclear and fossil fuel energy. We want to do this through local, community-based initiatives. We advocate and promote renewable energy and energy conservation and efficiency. Our particular focus is wind energy. Our primary project we are looking at is a wind turbine project that we would like to implement in Durham region. It's a large region, with over half a million

people, so we feel there's room. There's a long stretch of Lake Ontario, there's the Oak Ridges moraine, so there are certainly areas to prospect for wind energy resources. So I'm here today to speak to Bill 100, the Electricity Restructuring Act, and to emphasize what we, as Eco-Energy Durham, feel is needed.

We need local ownership of renewable energy. That's a very important thing, community-based projects, not just the large players in the field. Farmers, local citizens, anyone in the community who is interested in having a stake in power generation, should be able to get in there, and that local ownership should be encouraged and promoted through certain mechanisms.

The local ownership of energy production would encourage the production of energy to be distributed more widely. This has many benefits in that it will create a more stable power grid and you also reduce line losses from very highly concentrated producers pushing energy far across the province.

We also feel that so far a lot of the concentrated sources of electricity generation are ones that we don't favour at this time. As a community, Durham region, we're sort of reliant on nuclear and coal being the only sources, and we feel that's very restricting. Renewable energy has a very big part to play in the production of electricity, and it's about time that there is a way this can be put forward; so far, it hasn't been. There's a lot of resistance, a lot of difficulty, if you want to move forward.

This bill is a good start. We support the government for doing this work. However, we feel there's more that needs to be done, because smaller groups are effectively prevented from engaging in creating a wind energy project due to complications, due to the costs and due to a lot of the red tape. This bill doesn't prevent groups like us or other people in the community from doing such work, from working on projects like this, but we need a way to move forward faster.

Just to point out, section 25.9 is a little vague in this bill. Some of the details are left to be determined later, and it's not really specifically set up. What we need is a fixed-price mechanism. We want something where there is a guarantee. Community members in Durham region, farmers and individuals we talked to, are very eager to do something, and they want to be involved, but it's very daunting to try to compete against a large producer.

We feel that section 25.9 should explicitly state that fixed-minimum-price standard-offer contracts, the type you'd find in advanced renewable tariffs, are the preferred mechanism. This will allow for rapidly developing, locally owned renewable sources of electricity generation.

Bill 100 does not explicitly talk to the non-monetary benefits of electricity generation, and we feel that renewable energy has the benefit of reducing pollution that is caused by the other sources of electricity. This is an attribute of the community-based renewable energy projects that is basically being glossed over; it's not really included, it's not important. So when you're

factoring in decisions to go ahead with projects, the renewable energy projects, this isn't weighted as highly. It should be extremely important because it has an impact on the economy and health care and on our general well-being.

Also the bill is vague in that it allows for too much ministerial discretion. This kind of system should be more in the public view, where it's evident what's going to happen and how it's going to work. It shouldn't be developed in secrecy behind green catchphrases. This should be up front. This allowing of too much discretion will destroy the effectiveness of this bill.

The tools that we feel we need are ones that would get around the discouraging financial and legislative barriers which complicate and severely disadvantage us as a community organization working on a renewable energy project.

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Two requirements would be needed; first, the right to interconnect a renewable generator with the grid, and that involves more than just the physical aspect and the technical aspect. We have to have legislation that guarantees that if it's technically possible, we should be able to do it. We also need a fixed minimum price for electricity that is delivered from this project so that it's adequate to justify the investment. Basically, what we need is a renewable energy tariff system. This is the way we could rapidly deploy renewable energy. We should endorse, with this bill, a kind of fixed-priced mechanism, the same kind that has led to the huge amount of renewable energy you see in Europe.

If you look at Germany, it's a massive installment of wind generation, probably leading the world still at this point. I believe 14,000 megawatts of generating capacity has been installed since 1991 in Germany. It has worked in other parts of Europe, apart from Germany. Spain is becoming a wind powerhouse as well. Canada does not have anywhere near the amount of wind generation at this point, and there's no reason for this shortfall in comparison to Europe. Nine countries in Europe and South America are using these renewable energy tariffs, and this is allowing them to lead the world in wind energy generation.

In the fall, Prince Edward Island's Parliament will consider Minister of Energy Jamie Ballem's proposal to supply 100% of PEI's energy with renewable energy. Ballem plans to use the renewable tariff in order to meet these goals.

What Eco-Energy Durham wants is a minimum fixed price for a fixed time. This rate is paid by all consumers of electricity. We have to have an electricity act that makes our proposed community-based projects bankable. We can't invest in a community-based project if the outcomes of the project and the profitability are too risky. Other large players can take these risks and balance them out on all of their projects, whereas small community groups cannot.

In our case, wind is our main concern, but we need a standard-offer contract that's tailored to all the different

sources of energy: wind, solar, biomass. In the standard-offer contract it would be set out that if the area is of a certain wind regime, let's say low, you would get a slightly higher fixed price, and the areas that have a higher wind regime would have a slightly lower payback. This evens the playing field and encourages the rapid deployment of these renewable energy projects.

Basically, in a nutshell, we, as Eco-Energy Durham, applaud the work that's being done and we think it's a step in the right direction. However, without specific fixed-price standard offer contracts in the form of a renewable energy tariff, we don't believe anything's really going to happen. You will see some projects coming from the large players. However, if you want rapid deployment of renewable energy which is going to result in a very positive impact on power production and a reduction in pollution, you need to even the playing field, and in the proposal of Bill 100 you need advanced renewable tariffs. That, in a nutshell, is what we're looking for. We feel other community groups have already had stumbling blocks with trying to develop a wind energy project. When it comes down to it, with interconnection costs and when you look at the rate of return they're going to have on their project, it just doesn't add up. So if we want rapid deployment of renewable energy, we need advanced renewable energy tariffs in the bill.

The Chair: Thanks very much. We have about two minutes left on this rotation. The government side is first. Ms Cansfield, the parliamentary assistant.

Mrs Cansfield: I think the areas you've identified as barriers are important. We'll make sure they get through to the folks who are looking at how we can break down those barriers. I appreciate the challenges that you face, because I met a gentleman in Owen Sound and it took him six years, a lot of tenacity and a great deal of money before he could put up one windmill. So we're hoping to make the changes to enable the smaller player to have a level playing field.

The items that you've identified are in your brief, and presumably your brief will be coming to us?

The Chair: The clerk will be making copies.

Mrs Cansfield: Thank you very much for your presentation.

The Chair: Mr Arnott, quickly. You have about a minute.

Mr Arnott: I just want to express thanks to you for coming in today to express your views to us. They are sincerely appreciated.

Which jurisdiction do you think has the best system of advanced renewable energy tariffs today? Is there one country or one jurisdiction that you would say is doing it best of all, and we should look to that one to see how we could structure one here?

Mr Coltas: Yes. I believe it would probably be Germany, not only for wind, but they have solar as well. I don't think you should single out any one area. Look at Spain as well—very good with the solar.

Mr Arnott: I believe there are a number of people in Ontario who would be prepared to pay more per kilowatt

hour for what they perceive to be green energy. I don't know how many that is as a percentage of all the hydro customers in the province. I don't know how high they would be prepared to go before they would switch back to the more conventional, lower-priced energy. What would you guess would be the number of people, as a percentage, perhaps, of all the hydro customers who would be willing to do that? Do you have any idea, based on what's happening in Germany or some other jurisdictions?

Mr Coltas: I guess you're asking who would be onside with the idea, because basically an advanced renewable tariff would be a fixed price for everyone. I don't know if I can put a percentage, only because this system has never been tried before. If you ask people, "Would you be onside with going forward with renewable energy? This is the mechanism to do it," I feel the percentage would probably be the majority of the people. I can't put a figure on it but, yes, that's the closest I could come to that.

The Chair: Thank you very much, Mr Coltas. We appreciate your presentation.

CAMECO CORP

The Chair: Next, I would ask Cameco Corp to come forth: Mr Shpyth, the director of government relations. Welcome, sir. You will have 15 minutes, and any part of that you don't take will be reserved for questions.

Mr Al Shpyth: Mr Chairman, members of the standing committee, thank you for the opportunity to speak with you with respect to your review of Bill 100. I have given the secretary to the committee copies of our substantive submission, as well as a copy of the few slides I'll speak to today. I certainly hope to leave some time for questions. I also wanted to welcome the participation of Donna Cansfield, the parliamentary assistant, and Lou Rinaldi, who is our member for our Port Hope plant. I'm pleased to see Lou out for the hearings today.

You may find some small comfort in knowing that Ontario is not alone in facing energy challenges and in finding policy solutions to meet these challenges. World-wide energy demand is projected to grow by two thirds in the next 30 years. Electricity use will grow faster than any other energy end use. Financing the required new energy infrastructure is a huge challenge, and success in this area largely depends on the framework conditions created by governments. Your review of Bill 100, therefore, is a vitally important step toward creating the conditions that will allow Ontario to meet the challenge and have a secure and diverse electricity supply in the future, and, we believe, set the stage for other provinces as they wrestle with their energy challenges.

As noted, in addition to this short presentation there is a copy of our submission on Bill 100 for your consideration. Allow me to briefly introduce Cameco. We are the world's largest uranium producer, with the uranium coming from both primary production—what's

called mine production, which is largely from Canadian sources—and secondary sources, including dismantled Russian nuclear weapons. Some 102 million tonnes of air pollutants are avoided each year as a result of the uranium we supply to nuclear utilities in some 15 countries around the world, including Canada. So as we appear today, we bring experience from many countries.

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Within Ontario, we believe we're somewhat uniquely positioned. We are a large customer, with our two uranium processing facilities in Blind River and Port Hope; we are the principal supplier of uranium used to fuel Ontario's nuclear power plants; and we are a partner in the generation of clean electricity through Bruce Power. In general, our views on electricity in Ontario can be summarized as follows: An electricity market that works for all Ontario stakeholders is in our interests as well as the province's, and while nuclear power is not the only solution for Ontario, we believe there is no solution without nuclear.

We appreciate that with Bill 100 there is a recognition of the clear need to address the growing gap between power supply and demand. We note, as others before us have, that the long lead times for siting, permitting and constructing new generation sources dictate that we start now. We recognize Bill 100 is a step forward; however, as proposed in the legislation, the hybrid approach, to employ a combination of regulatory authority and market forces, may not bring about the desired results unless some refinements are made that will lend greater support to the workings of a competitive market.

We think there are several strengths in Bill 100. I'll mention just a few. They include the recognition of distinct submarkets, the recognition that there can be markets for residential and small businesses versus large commercial and industrial users; commitment to appropriate demand-response programs, which might be different for small customers versus those that may be available to large ones that might be in the market; and reliance on competitive wholesale solicitations, we think, is important to supporting the market and bringing about the focus on consumers paying the true cost of electricity going forward.

Our recommendations: We believe that in order for Ontario to gain the benefits of market forces, it must have a functioning and competitive electricity market from which the necessary price signals for both conservation and new investment can be obtained. To do this, we recommend applying price regulation to the residential and small business customers on a transitional basis and relying on and promoting a competitive market for major commercial and industrial users such as ourselves. This would not require an amendment to Bill 100, as it allows for the application of different pricing models to different customer classes. However, the recognition of load splitting, which is on the slide, would require an amendment to the legislation.

Our major issue here is that in support of a market, if you're offering a blended price to medium- and large-

sized customers, while it would support price stability, it would distort and interfere with the operation of a market segment that has become quite competitive in a number of other jurisdictions, including Ontario. It would also interfere with the introduction of smart metering and other price-responsive measures that are best suited to large customers and large consumers of electricity.

Cameco believes there are many benefits to a competitive market. From a nuclear power perspective, which is our industry, it encourages a strong focus on costs and operations, resulting in cost reduction and operational improvement in order to be competitive; that is, there's a natural incentive to performance improvement and investment in nuclear power. We offer our involvement in Bruce Power as evidence, and we offer the performance of the entire 103 US nuclear power plant fleet.

From the perspective of governments—it was touched on earlier this morning—but also of customers and taxpayers, competitive markets offer the opportunity to share investment risk. We offer the restart of Bruce A units 3 and 4 as evidence where the risk was entirely borne by private investors, and in return for taking the risk the province has an additional 1,500 megawatts of generation capacity.

Thus we believe there is both a need and a role for a competitive electricity market in Ontario, and Bill 100 should not only provide for it, as it does, but encourage it as well, so as to ensure that Ontario has a secure and diverse electricity supply.

In conclusion, we recognize that the government of Ontario needs energy solutions. We recognize Bill 100 as evidence of the government working to find a way to make electricity work for Ontarians. Cameco and its partners in Bruce Power want to work with the government in not only finding but being part of the solution.

As presented to you earlier in the week, Cameco and its partners have made significant investments in improvements and additional generation at Bruce Power, but more supply is needed. Additional nuclear refurbishments are needed. New nuclear will be needed alongside other new sources of supply and demand management.

Ontario will benefit from diversity in supply as much as it will benefit from additional supply. But a market is also needed. From sharing investment risk to providing the price signals so the true cost of electricity drives investments in conservation and new generation, a competitive market must remain a feature of Ontario's electricity policy and legislation.

Thank you for the time, and I hope I left some for questions.

The Chair: We have about seven minutes for questions.

Mr Marchese: I wanted to get your reaction to some things that Mr Butters from the Association of Power Producers of Ontario raised. He was concerned about the fact that this bill merely provides a regulatory framework and that much is left to regulation, and he's worried about that. He was saying that the government should

"commit to a process of developing regulations in an open and transparent manner which will allow for meaningful input." Do you agree with that? Are you concerned about that? Is that an issue at all?

Mr Shpyth: Generally, yes, we agree that the process going forward should be open and transparent, as is this set of hearings. From our review of electricity restructuring efforts in other jurisdictions, we recognize that the legislation often is a high-level overview and it provides for the details to come out in regulation. That's not an unusual structure. But certainly, I think we would share the view that was expressed by others that the more that is in the legislation, the more certainty it provides to people who are looking to invest. There's greater confidence overall, yes.

Mr Marchese: They also say, "We believe that fostering competition is an important principle," and you agree with that, obviously.

Mr Shpyth: Yes, we do.

Mr Marchese: "While this is not included in the bill's statement of purpose, it is an important point, and if the government's intention is to use competition as a tool to achieve its objectives, then perhaps it should be reconsidered." I'm assuming you agree, and I'm wondering whether the government is nervous about putting that in the bill. If they believe in competition, shouldn't they state so in the objectives?

Mr Shpyth: Certainly there are, if I remember correctly, two areas in the purposes of the bill, in the first clause, that recognize the role for private investment and the future viability of the electricity industry. But as we noted, yes, we think it should be more than recognized; it should be promoted somehow.

Mr Marchese: There you go. They should be clear and strong about it. They shouldn't hide from it either, I don't think.

With respect to the blended price, you talked about how it interferes with the smart metering the government supports. Could you expound on that, because I think you're the first who talked about how that interferes with smart meters.

Mr Shpyth: It may, and that's why we noted it's not so much an amendment for the legislation as a focus on implementation. And that, I think, in part will depend on how the blended price would be determined. If it's a simple average, so to speak, that's available to all—

Mr Marchese: I think that's what it is; it's an average.

Mr Shpyth: —at all times, then there are not the price variations that encourage load shifting and the things that can come from the benefits of smart metering. Smart metering relies on two things: not only the consumer knowing what's going on, but the people on the other end managing the system knowing what's going on. That's what makes it smart. It's a two-way meter. You need those price differentials to help people think, "OK, what do I do to better manage my consumption of electricity?"

Mr Marchese: Sure. My sense is that the blended price is the average; is that not so, Liberal members,

parliamentary assistant? The blended price is the average; is that not so? So if that is the case, you're not concerned.

Mr Shpyth: Again, we understand that the benefit of the hybrid market, as proposed, is price stability. But price stability may not bring about some of the benefits of the differentials in price that would make people think about doing business differently.

Mr Marchese: Right. You also talked about how the blended price could interfere with and/or distort the market, and that concerns you.

Mr Shpyth: Yes. When you get an opportunity to read our submission, we go into that in a little bit more detail. But fundamentally, it comes from a view that we agree with the objective of the bill to move people toward the true price. And that's why I guess we'd say, on a blended price approach, that it then be considered transitional, to help people move, over time, to a true price and be responsive to the true price. Again, we think, particularly for large consumers, they'll get—

Mr Marchese: And that's a true price that's obviously connected to the spot market. As we see with oil, for example, when you leave that to the markets, it can be easily distorted, where we don't have a supply problem, we simply have a problem of a scare of scarcity, and already prices jump right up. Does that not concern you at all in terms of how the market can play with prices?

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Mr Shpyth: A market need not be limited to a spot market. There are many markets out there in electricity. People have already talked here about day-ahead, hourly. There are long-term contract markets. Other markets have contracts of several months to several years. There are various ways that markets can work and, if you have that openness to market solutions, you get more opportunities for people, again, to find ways to manage their electricity consumption.

Mr Marchese: Thank you.

The Chair: Mr Rinaldi, please, two minutes.

Mr Marchese: How many minutes?

The Chair: Two.

Mr Marchese: I thought there were only three minutes left.

The Chair: Well, there are two minutes left. We'll go to 11:50. Mr Marchese. I'm timing exactly. Mr Rinaldi, please.

Mr Lou Rinaldi (Northumberland): Thank you very much, Al, for taking the time out to bring your comments forth. They're very critical based on your company and corporation's involvement in generating power for the province of Ontario and beyond.

I guess just a quick comment I'd like to make is that part of Cameco's operations is in my riding, and they've been excellent corporate folks, regardless of how we cogenerate power in the future, from that perspective. I want to commend them for the great job that they're doing in cooperation with other partners in Bruce that are providing power for the province of Ontario. So it was just a statement that I really wanted to make for the record.

The Chair: Thank you, Mr Shpyth.

ALEXANDRA MCKEE-BENNETT

The Chair: Next, we would ask Alexandra McKee-Bennett to come forward, please.

Interjection.

The Chair: I'm sure, Mr McMeekin, that during debate on second reading you'll be bringing that forward.

Welcome, Ms McKee-Bennett. You'll have 15 minutes, and any time you don't use will be reserved for questions. If you want to start, please.

Ms Alexandra McKee-Bennett: Yes, thank you. My presentation is titled "The Future for Our Children: The Need to Establish a Sustainable Energy Future."

Good morning. Thank you for the opportunity to comment on Bill 100. My name is Alexandra McKee-Bennett. I have been a nurse for 24 years, with my clinical focus on maternal/child health. I'm also a midwife and practised for two years in the United Kingdom, where I received my education, and in Zaire and Zambia, prior to returning to Toronto, where I was involved in implementing over a five-year period family-centred maternity care at Women's College Hospital.

During this time frame, the hospital was recognized as a centre of excellence by the World Health Organization. There are only two hospitals to receive this recognition in North America. The other hospital is Johns Hopkins in Baltimore.

My focus, therefore, will be on the need to protect the health of children; to inform and educate politicians to ensure they do recognize that preventing ill health and injury is infinitely more desirable and cost-effective than trying to address the diseases and their escalating health costs.

We need to recognize that children are entitled to grow and live in healthy environments, in the spirit of the Convention on the Rights of the Child of November 1989, then emphasized at the United Nations General Assembly Special Session on Children in May 2002 and at the World Summit on Sustainable Development in September 2002. We need to be aware that protecting children's health and environment is crucial to the sustainable development of not only Canada but our world.

I am increasingly concerned about the effects on children's health of unsafe and unhealthy environments. I understand that developing human organisms, specifically embryonic and fetal periods and early years of life, are often particularly susceptible, and more exposed than adults, to many environmental factors, such as polluted air, chemicals, contaminated and polluted water, food and soil, ionizing radiation risks, including risks related to the transportation of nuclear products and nuclear waste. Male and female children also differ in susceptibility and have different risks in terms of exposure to these environmental risks.

In the 1998-99 National Population Health Survey, 10% of Ontario children aged from four to 19, and 7% of Ontario adults, reported having been diagnosed with asthma by a physician. In Kingston, childhood asthma rates were 16%; in Guelph, 11%.

A study written by Dr Theresa To of the Institute for Clinical Studies at the Hospital for Sick Children found in the last five years that childhood asthma has increased by an alarming 35%. This now becomes a health care expense of 5.42 million OHIP dollars, compared to \$1.7 million for health care expenses on the non-asthma children over the five-year study period. It is important to understand that these costs only include physicians on an out-patient basis and diagnostic tests. The costs for drugs to manage their asthma, the emergency room time and hospitalizations are huge and externalized costs.

I'm very pleased that the coal-fired plants will be phased out by 2007. The replacement of these plants with nuclear power plants in Ontario, however, shows that unless the Ontario Electricity Restructuring Act is substantially changed, we will have learned very little in terms of the human health costs of coal-fired plants. Indeed, the human health costs will be staggering.

Driving to my new home in Port Hope, I pass the "Nuclear Power = Clean Air" sign outside the Darlington plant. Quaint, pretty Port Hope is the home of Ontario's best-preserved main street and home to the world's only urban uranium refinery, located on Lake Ontario, the drinking water source for over six million people.

In Port Hope we measure uranium in our air, water and soil. We are told it is safe to live here. We are told that the 60 kilograms of uranium emissions in 2003 were absorbed. We are told that one kilogram of uranium in water emissions is very small. We are told that the ammonia in air released in the centre of our historic town and waterfront, all 9.3 tonnes, is not very harmful. We are told that the nitrous oxide released into the air, 113 tonnes, is within MOE standards. We are told that the fluoride released into the air totals 507 kilograms.

Remember, I am a health care professional hearing these statements and I'm very aware that sunlight and volatile organic compounds and nitrous oxides react, creating ground-level ozone. Do children in Port Hope suffer from asthma? Indeed they do. Children are at a higher risk from ground-level ozone because they breathe faster and spend more active time outdoors. Ground-level ozone affects the body's respiratory system and causes inflammation of the airways that can persist for up to 18 hours after exposure ceases. There is evidence that exposure heightens the sensitivity of asthmatics to allergens. Ammonia is also well documented to cause respiratory system inflammation.

In 1982, Dr Phyllis Mullenix, PhD, a pharmacologist and toxicologist by training, was head of the toxicology department at the Forsyth Dental Center, a world-renowned dental research institute affiliated with the Harvard Medical School. Dr Mullenix was asked to perform a test related to the neurotoxicity of fluoride. She is considered one of the foremost experts on the neurotoxicity of fluoride compounds. Her 1995 paper on neurotoxicity and teratology was the first laboratory study to demonstrate in vivo that central nervous system function was vulnerable to fluoride; that the effects on behavioural changes common to weanling, that is,

relating to young weaned rats—her research was on the rat population—and adult rat exposures led to behaviour-specific changes more related to cognitive defects. Brain histology was not examined in this study, but findings suggested that the effects on behaviour were consistent with interrupted hippocampal development. This is a brain region generally linked with memory.

Establishing a threshold dose for effects on the central nervous system in rats or humans was not the intent of Dr Mullenix's initial investigation, yet one fact relevant to human exposure emerged quite clearly: When rats consumed 75 to 125 parts per million and humans five to 10 parts per million, the resulting doses were equalled in their plasma blood levels.

Let's look at that for a second. We're looking at a very tiny rat and wondering why it would require 75 to 125 parts per million for them to have an effect. The information is that their GI system is extremely resistant to fluorides. So the earlier fluoride studies based on rats really didn't give us a true picture of what occurred when human beings ingested fluoride. Remember, rats consuming 75 to 125 parts per million in their drinking water is the equivalent of five to 10 parts per million of fluoride in the adult drinking water source. This range was observed also with some treatments for osteoporosis, and it is exceeded 10 times more one hour after children receive topical applications of some dental fluoride gels. Thus, humans are being exposed to levels of fluoride that we know alter the behaviour in rats. Dr Mullenix's rat study flagged potential for "motor dysfunction, IQ deficits and/or learning disabilities in humans."

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Let's move to research in China. Two epidemiological studies in China, entitled Fluoride 1995-1996, showed "IQ deficits in children overexposed to fluoride via drinking water or soot from burning coal." The central nervous effects, again, in humans excessively exposed to fluoride were also documented over 60 years in International Clinical Psychopharmacology in 1994, and the common theme appeared to be the reported effects "impaired memory and concentration, lethargy, headache, depression and confusion. The same theme was echoed in once-classified reports about workers from the Manhattan Project." The fuel for the Manhattan project, we need to remember, was refined in Port Hope.

Recent human studies published in the August 2004 issue of Toxicology show the latest research done by a Chinese and Swedish scientific team headed up by Zhizhong Guan, a toxicologist who has investigated the impact of fluoride from 1986 to the present, and who is the most noted scientific researcher on fluoride in the world. He discovered neuron receptors called nAChRs in the brain, which are important for functional processes, including cognitive and memory functions. These receptors decreased greatly with fluoride exposures. The nAChRs are found to be involved in a complex range of CNS disorders, including Alzheimer's disease, Parkinson's disease, schizophrenia, Tourette's syndrome, anxiety, depression and epilepsy.

This finding has also been proved by Dr Agneta Nordberg in 2001: "A consistent, significant loss of nAChRs has been observed in cortical autopsy brain tissue from Alzheimer's patients relative to age-matched healthy subjects."

Important studies on children's intelligence published by Dr Xiang in 2003:

"Higher drinking water fluoride levels were significantly associated with higher rates of mental retardation (IQ < 70) and borderline intelligence (IQ 70-79).... In endemic fluorosis areas, drinking water fluoride levels greater than 1.0 mg/L may adversely affect the development of children's intelligence."

Three years earlier, J. Calderon published findings on fluoride exposure on reaction time and visuospatial organization in children.

In 2003, Port Hope had 507 kilograms of fluorides released into the air by Cameco over its people, including its children and its water source, Lake Ontario. Due to the fact that Port Hope has a higher than average population of youth under the age of 19 and seniors in Ontario, this has grave health impacts to our population and imposes enormous burdens on our local health care system.

In February 2004, Dr Eric Mintz, an epidemiologist, critiqued the June 2002 mortality study for Port Hope. During the 42-year period from 1956 to 1997, there were marked elevations in cancer incidence. I will report only on the health impacts on children from that report, but the report showed incidences across all sexes and ages in our community:

"Many of the diseases that might be of concern in Port Hope are normally rare ones like brain cancer and leukemia."

"Since children generally have greater exposures and shorter induction times, the childhood data is of particular interest."

"Brain cancer was found to be highly elevated in Port Hope children during the period of 1971 to 1985, five times the provincial average."

"Children generally have greater exposures and shorter latency periods....That the brain cancer excesses were greatest in children and appeared earlier is supportive of a real excess that is environmentally related."

Ionizing radiation has been associated with brain cancer in research published worldwide.

"For all childhood cancers there was a 48% increase over expected rates and for childhood leukemia a 63% elevation over what might be expected."

It is important to understand that these rates reflect mortalities—fatal outcomes—and would not reflect survival rates. The fact that they are elevated in Port Hope is cause for concern and is worthy of further study. Port Hope is a sacrifice zone for the nuclear industry in Canada.

The Petkau effect: Dr Abram Petkau discovered that at 26 rads per minute, which is the fast dose rate, it required a total dose of 3,500 rads to destroy a cell membrane. However, at 0.001 rads per minute, the slow dose rate, it

required only 0.7 rads to destroy the cell membrane. The mechanism at the slow dose rate is the production of free radicals of oxygen, O₂ with a negative electrical charge, by the ionizing effect of the radiation.

The sparsely distributed free radicals generated at the slow dose rate have a better probability of reaching and reacting with the cell than do the densely crowded free radicals produced at the fast dose rate. This discovery was made by Dr Abram Petkau at Atomic Energy of Canada Ltd's Whiteshell nuclear research establishment in Manitoba in 1972.

Ontario Power Authority mandate: The Ontario Power Authority must target the phase-out of nuclear electric power generation by 2010. The Ontario Power Authority must make conservation, efficiency and renewable energy its top priorities and take all environmental and human health costs into account. The time to plan for sustainable energy is now. Europe is ahead in transforming to renewable energy sources. Their environmental policy is focused on protecting the health of their children now and in the future.

A study by the Canadian Environmental Law Association and the Pembina Institute indicated the following outcomes: renewable energy could provide 30% of supply by 2020; electrical demand can be reduced by 40% by 2020; residual supply of 4,500 megawatts by 2020 can be met by efficiency gas plants.

Proposed structure and recommendations on Bill 100:

(1) The Ontario Energy Board should continue to have a clear mandate to promote conservation and renewable energy.

(2) The Ontario Power Authority must make conservation, efficiency and renewable energy its top priorities, taking human health impacts and costs as well as environmental costs into account.

(3) The government of Ontario should set minimum goals for conservation and renewable energy.

(4) Both coal and nuclear power must be phased out by 2007 and 2010 respectively. As a former regulator of the nursing profession in Ontario for many years, I realize that, again, the teeth are in the regulations, and this must be explicit in the new legislation.

(5) Coal and nuclear power must be explicitly excluded from any part of an alternative energy strategy. The government of Ontario must chart an energy course based on conservation, efficiency and renewable energy to ensure a healthy environment for its public, to whom it is accountable.

(6) The conservation bureau must be an independent agency, not a subsidiary of the Ontario Power Authority. Its mandate clearly is to implement all cost-effective conservation and efficiency measures, taking all environmental and social costs into account.

(7) The government of Ontario should enhance accountability and public involvement by ensuring that a majority of the members of the OPA, conservation boards and the OPA advisory boards are comprised of public interest group representatives knowledgeable about Ontario's energy needs and committed to a renew-

able and sustainable energy future to ensure that the health and well-being of Ontarians is protected.

Conclusions: We need to acknowledge the lessons learned from existing policies and interventions and recognize that effective action to protect children's health from environmental threats requires firm political commitment and close collaboration between health and environmental authorities, as well as cooperation with other sectors such as finance, transport, education, urban renewal, rural planning, labour and social services. We need to strengthen the professional capacity of the health and environmental sectors by promoting the incorporation of children's environmental health issues into curricula and continuing education programs of professionals in all cross-cutting sectors, particularly environmental health professionals, environmental specialists, land use planners, public health officers, family doctors and pediatricians. We need to develop a strategy on advocacy, information, education and communication that will ensure adequate dissemination of information with the support of, and in collaboration with, the World Health Organization and relevant organizations, including NGOs.

I will close with these final thoughts:

"Nuclear energy illustrates the enormity of our ignorance about the biophysical processes at work on the planet. Nature cannot be shoehorned into human, political, and economic agendas. Nuclear power should fill us with humility and teach us that crude technological muscle power is a tremendous hazard in the real world."—Dr David Suzuki.

Thank you.

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The Chair: We have time for a quick question. Mr Arnott, you are first in this rotation. You have about 30 seconds.

Mr Arnott: I just want to say to you that this is probably one of the finest and most professional presentations by an individual that I've ever heard in my 14 years in the Legislature.

Ms McKee-Bennett: Thank you. I've had 24 years of experience doing it.

Mr Arnott: I know that some of the scientific information you presented is perhaps in dispute amongst scientists.

Ms McKee-Bennett: I don't think any of the things I've talked about today are in any dispute. That's why I chose them.

Mr Arnott: I wouldn't suggest that you're anything less than 100% supportive of your own comments. I'm just saying that there might be some scientists out there who would have another conclusion, perhaps, based on the data.

Ms McKee-Bennett: Well, perhaps they would work for Colgate; I don't know.

Mr Arnott: I do want to thank you very much for the information that you provided our committee, because it's very helpful.

The Chair: I want to thank Ms McKee-Bennett for a very thoughtful and insightful presentation this morning.

Ms Kathleen O. Wynne (Don Valley West): Just while we're changing presenters, there are two pieces of information that I'm wondering if we could have before the committee at some point.

The first one follows up on this presentation, and that is through the Ministry of Health. If there are papers or references that deal with the Port Hope area in particular vis-à-vis the issues that have been raised by this presentation, could we have those referenced?

The Chair: Anne is making note.

Ms Wynne: I hope everybody on the committee has read Anne Marzalik's paper on externalities around the different power sources.

The second question that I have refers back to a comment by Mr Shpyth about the risk borne by the private investor around the Bruce reactors. I have a question about the waste management, the decommissioning costs and the expectation of the government of the time around the absorption of those costs. If we could find out what the arrangement was, that would be very helpful.

The Chair: We'll pursue that, and Anne will provide that background.

Mr Marchese: To all the members?

The Chair: To all the members, indeed.

CANADIAN AUTO WORKERS DURHAM REGION ENVIRONMENTAL COUNCIL

The Chair: I'd now ask the Canadian Auto Workers Durham Region Environmental Council and Mr Stan Nieradka to come forward, please. Welcome, Stan. You'll have 15 minutes. Any time you don't use will be reserved for questions.

Mr Stan Nieradka: My name is Stan Nieradka and I represent the CAW Durham Region Environmental Council. I thank you for the time, and I hope I won't be cutting into your lunch period.

It's not the intent of the speaker to overwhelm you with figures, stats and pie charts. Past and future speakers have and will supply this public hearing with these irrefutable facts. I, on behalf of our membership, would like to speak not of their beliefs but of their convictions.

Change must occur. For far too long, we've been led in a never-ending cycle of spending and not reaping any results. If the speaker sounds all too negative, you must remember that the costs of electricity have steadily escalated by way of debt load, and supply has steadily gone flat or down.

The purpose of forming the CAW Durham Region Environmental Council was to unite the various CAW locals in Durham county and surrounding areas into one collective voice regarding environmental issues. I'll leave the rest for your time to read.

One of the issues that we're speaking about right now is Bill 100. We believe that in today's society, electricity has become as important to the well-being and survival of the people of Ontario as water. From in-home medical

equipment, hospitals, schools and our transportation and communication, we interact with electricity every day, from the time that we get up to the time we go to sleep.

As you have heard on previous days and will hear on future days, "Universal access to electricity is a right" should be one of the central themes of this public hearing.

Change is good. Consistent government failures are exhibited by the fear of embracing new technology when available to tackle today's problems. We continue to pour huge amounts of public monies into antiquated entities: nuclear and coal-powered generation. These can be phased out over time and replaced by renewable resources power generators, such as wind and solar, and conservation.

The Pembina Institute showed that Ontario can cut consumption by 40% by 2020, and do so affordably; \$18 billion invested in conservation does the same job as \$32 billion spent on nuclear, and you don't have to pay fuel or re-tubing, while consumers make 96% of the investment back through lower bills.

Not unlike the replacement of LPs by CDs, the horse-drawn carriage by the automobile and the typewriter by today's personal computers, we continue to bury our head in the sands of nuclear and coal power. "Time stands still for no man" is an exemplary quote for our position today. We must change with the times or fall behind and pay dearly for the goodwill of others.

Additionally, both nuclear and coal have their darker sides. With their radioactive rods and acid-producing smog, we are poisoning the environment of which we are an integrated part.

Planning for the whole system would mean ensuring everyone has access to sufficient, safe, reliable and affordable power generated by a new system that neither cooks the planet nor leaves future generations with multi-billion-dollar legacies of poisonous air and radioactive waste.

Accountability: For many years, Ontario Hydro has pursued its own agenda, with no accountability to anyone. Because of these policies, we, the public, find ourselves saddled with massive debts. No public trading company would be able to operate in such a fashion and exist financially for the amount of time that Ontario Hydro has had the privilege of doing. The public fully funds these closed-door entities, has no direct say in the running of this crown corporation and yet is a major shareholder. Visions of Enron float through our minds.

Governments come and go, but no one is held responsible for bad decision-making, plans and policies. Bonuses and golden parachutes are the norm in today's world when someone brings down a corporation.

It is inconceivable to imagine today a family having to choose between food or heat, yet traditional conservation programs almost never touch low-income consumers and we have no long-term plans to ensure that poor people have access to this basic necessity. Furthermore, low-income consumers must have access to both the conservation programs that will sustainably reduce their bills and ensure them an adequate supply.

Just transition: Proper phasing out of both nuclear and coal power production with proper energy conservation will allow workers to change and adapt to new methods of power generation: wind, solar, biomass, hydro, geothermal. Benefits of this change would be the creation of green jobs by way of "just transition," the retraining and re-education of nuclear and coal power generation people to that of other renewable resource methods. This transition would be the responsibility of all levels of government and industry. It should reflect the political obligation to ensure that society, as a whole, pays the price for changes from which everyone benefits.

Furthermore, unlike nuclear power, with its spent radioactive rods and storage needs and decommissioning of buildings and land, alternative renewable resource power generation has little impact on the environment. Wind power generators, at the end of their life, can be rebuilt. At worst, the components can be recycled with no radioactive waste, storage requirements or health effects on the environment or public.

Recommendations:

Public control: We should be exempt from all past, present and future NAFTA, national or international agreements and clauses that would allow multinationals to control our production, supply and dictate price.

Public health: The phase-out of nuclear power plants would result in zero spill levels as opposed to minimum safe levels. Durham residents have the distinct disadvantage of living between two nuclear power plants at opposite ends of the region. Health is naturally paramount to our physical and mental well-being, despite the insignificant tritium spill or escape.

Environment: Nuclear power plants use an exorbitant amount of water, not only in the production of electricity, but also in the cooling of the system. The usage of Lake Ontario as a cooling exchange media cannot be overlooked, to not have detrimental effects on the environment and life around it.

Conservation: Monies should be redirected from endless upgrading with little electricity end product to that of public and corporate conservation. Incentives should be available to convert and/or purchase energy-efficient products. This would go a long way to lessen the dependability on electricity. In addition, incentives to public green co-op power producers should be available.

Appendix A is a Canadian Labour Congress policy on "just transition" and some of the requirements to implement this "just transition."

The Chair: Thank you very much, Stan. We have about six minutes for questions. On this particular round, the government side is first. Any questions?

Mr McMeekin: If none of my colleagues have a question, I'd be pleased to ask—and thank you for your presentation. It's good to hear some of your suggestions.

You mentioned incentives, that the government has to intervene. Part of that intervention is to define the values that are driving us, and part of it would be an intervention around building in incentives for alternative energy. I'm just wondering, because it's a recurring theme: What

specific suggestions would you have around how the government should go about building in incentives? I think the phrase you used is "that society, as a whole, pays the price for changes from which everyone benefits."

Mr Nieradka: Right now, society as a whole is paying the benefits of having a massive debt.

Mr McMeekin: I understand that.

Mr Nieradka: A lot of the money that we're redirecting into retubing, restarting, recommissioning the buildings could be taken in and communities could be allowed to decide on a method of power generation. If you're living by an area where you're close to a lake and there's a lot of wind, the community should be able to, as in Durham, commence, with the aid of government finances, to procure land, or on government land itself put up windmills. In Whitby, the LCBO has a massive storage facility. It has nice grass, lots of parking and lots of room for one or two windmills that would not only supply power to the building itself, but the rest could be sold off to the grid.

Mr McMeekin: So we should be proactive, we should be intervening. I remember that Elbert van Donkersgoed from the Christian Farmers was sharing his frustration that rural and farm constituents, no matter what their intent was, couldn't access the grid. So we should be making sure that alternative groups can do that and putting some incentives in place to help that.

Mr Nieradka: That would help communities that are not accessible to a grid. If they had their own little power supply stations, they could access this power, and any power that's left over, the grid itself—we have different entities now to take care of different things. We have the power suppliers. We have the power line companies; they could go out there and string up the wires and we'd have the benefits.

Mr Arnott: Thanks for your presentation. It's my understanding that the Power Workers' Union of Ontario has pretty significant reservations about the government's stated intention to phase out coal-fired generation by 2007. The members of that union are the people who are employed directly doing the work that generates the electricity in the province. You disagree with their conclusion. You would suggest that they're wrong. Is that correct?

Mr Nieradka: First of all, the power generation people are not part of our group, and I guess it's because they don't believe in environmental issues as much as we do; the same thing with the people running Darlington. If we were to phase them out, chances are that they would be losing not only work, which is probably the biggest concern right now, but the opportunity. What is there available for these people?

I'm not too sure if anybody spoke on this issue. As a last resort of power production, they said they would be looking at conversion to natural gas. They would rather go first to solar, bio, wind, and as a last resort go into natural gas.

We've got plants standing right now that could be converted. We're paying for storage of these buildings

and they're not being used, east of this facility. That could be converted, as a last resort.

The Chair: You're referring to Wesleyville?

Mr Nieradka: Correct.

We're not looking at disadvantaging people by having them lose their jobs. "Just transition" is a big thing that the CAW and a lot of the environmental organizations are looking at as taking people out of their present jobs and transferring them, through the aid of government, whether it's unemployment insurance that we're paying into—and a lot of these people, whether they're power workers or any of the CAW—I myself, for the CAW, have worked over 24 years. I've never been laid off and I've never had the benefit of using that unemployment insurance. That money is accumulated by the federal government and the federal government is not unto itself, that they have their own power production. They use Ontario's power production to light the buildings in Ottawa and any other federal building. They're just as apt to benefit from this as the people of Ontario or the communities. So using the money that the federal government has and incentives from the provincial government to lessen the dependability on our nuclear and coal power—you've heard from the previous speaker about the health effects—would help the people being displaced through "just transition."

The Chair: Mr Marchese, we can fit you in. We have about a minute and a half.

Mr Marchese: Less than that. I just wanted to agree with you that sometimes we have to look at the broader public interest. Some people might lose out in the short term, in terms of their immediate interest around it. But we believe that we should be phasing out nuclear interests. We agree with you and Alexandra McKee-Bennett around the concerns with respect to it and think that if we looked at the Pembina Institute report very carefully, we could get there. It's a matter of committing ourselves to it.

I also want to thank you for introducing the NAFTA concerns. A few people have done that. I just don't believe we're looking at that at all in terms of privatizing a lot of our hydro generation and believing that that'll be OK. There's a great deal of interest in the World Trade Organization and GATT to put energy into that mix, and once that happens and we commit ourselves to some privatization of energy, we're locked in. Because politicians and others don't understand, we simply disregard its potential effects and I'm a bit saddened by that. I want to thank you for raising it.

Mr Nieradka: Just one more comment: Ontario should look at what the rest of the world is doing. Just south of the border—I happened to be travelling through New Hampshire—New Hampshire offers a rebate for anybody who changes from incandescent light bulbs to compact fluorescent. There's a coupon at Home Depot. You take the coupon, you buy your light bulbs, change them. You lessen the demand on power and you get money back from the government, but you have to be in the state of New Hampshire.

The Chair: Thank you very much for your thoughtful presentation. We'll now recess for lunch. I would ask folks to be back by 5 after 1.

The committee recessed from 1223 to 1305.

LORETTA MUTO

The Chair: I'd ask Loretta Muto to come forward, please. Ms Muto, you'll have 15 minutes, and any time you don't use will be reserved for questions by members of the committee. Welcome to Orono this afternoon.

Ms Loretta Muto: Good afternoon. I like this: no air conditioning. This is a good thing.

My name is Loretta Muto. My family and I have resided in Clarington, in the shadow of one nuclear station and downwind from another, for 14 and a half years.

With increasing awareness and involvement in our community has come increasing awareness and concern about energy issues in this province. You have heard from a number of very knowledgeable people in the past few weeks, representing a variety of stakeholders. I don't pretend to be an expert, but I do believe that I am a stakeholder, and I thank you very much for the opportunity to speak with you today.

When my husband and I first moved to Courtice, we used to joke, "Well, if Darlington blows, we'll go painlessly. We won't even know it happened, unlike some folks in the rest of the GTA." But then we started to learn about radioactive waste and its longevity, about incineration of low-level radioactive waste, toxic releases, concern about radionuclides in the Great Lakes and the possible links between cancer and environmental contaminants. We stopped joking.

More recently, our community engaged in a series of public meetings to discuss the potential of an experimental thermonuclear reactor. To my relief, it didn't go forward. But during those public hearings, I asked why we were investing in an expensive and hazardous experiment instead of, but for the investment, the renewables that are available to us today. I was told, "Well, we need a wider energy basket."

I agree we need a wider energy basket, but we don't need any poison apples in it. So I applaud that this government is at least looking at a better energy future. I am happy to see they're setting some targets for renewables and that the bill at least acknowledges conservation. But I am still concerned about the poison apples, and I also think that the commitment to renewable energy and energy conservation, to be kind, is conservative.

Last summer's blackout caused needless hardship and, in some instances, great suffering. I am acquainted with one family, the Wheelan family—Bob and Melanie lost their 21-year-old son Lewis. He died alone in the dark and heat. This was after he battled a horrific incident at work where aging but live power lines took both his legs, his arms and, for a while, his dignity.

Robert Putnam, a US public policy analyst, says that from suffering and a shared sense of peril we can often find the political will to do what needs to be done. He

points to the American experience of World War II, and I would venture to say all of the Allied experiences, where individuals were willing to make voluntary sacrifices and governments were willing to take incredible initiatives, a veritable war chest of them, to deal with a common foe.

I suggest to you that the shared experience of the blackout still offers us that opportunity, but we need a grander vision.

Within the confines of Bill 100, I, like others who preceded me in these hearings, would encourage you to go back and take a look at the purpose and objectives of the bill. Ecological, human and social well-being must be paramount. To my way of thinking, these objectives would rule out any expansion of the nuclear industry and so-called clean coal technology. Surely we can do better than the Bush administration. Further, these objectives would set the stage for a just transition to a sustainable energy future. Workers employed by current providers or communities which host them must not bear the brunt of the costs of switching to a cleaner future, especially when all of us will gain by it. Moreover, the economically vulnerable have to be protected from potentially rising energy costs or the lack of resources for achieving that energy efficiency.

1310

When it comes to definitions of "alternative" and "renewable" energy, I would much prefer to see these things written into the act. Regulations developed behind closed doors usually don't produce what we need. If we don't do it in the act, then we need another set of public hearings. I urge you, please, think about when you're holding the hearings and don't do them in such haste. People in my own circle were unreachable during the holidays. If they are able to participate, like me, they're frustrated; they're not able to put together their best shot at expressing to you what's important to them. I'd also suggest that the hearings need to be wider. They're in too few communities, and all of us are affected, not just some of us.

Other things to take a look at are: specific timetables for phase-out; a stated and significant distribution of energy; and specificity on how we're going to transition workers and where those energy jobs are going to be located.

With respect to differentiating between alternative and renewables, we need to say right up front that renewables are paramount. But when I look at a number of presentations that were made to you, I'm beginning to think we don't even need alternatives in the act at all. I read with great interest the study by Pembina and the Canadian Environmental Law Association and then another that's soon to be released by the David Suzuki Foundation. They're telling us we can fill the energy basket to the brim with renewables. These organizations don't represent vested interests. Their arguments must carry more weight when you're considering all of the presentations made.

Other suggestions that were made that I thought looked good—one in particular was an independent

sustainable energy bureau, which would really move forward with renewables and conservation in a serious way.

I'd also like to step back and say that when you're looking at these things, you need to be looking outside of the box, outside of this bill. One ministry and one bill cannot do it all, just like one individual cannot do it all. If we're ever going to realize an energy policy that promotes ecological, human, social and, by extension, economic health, then this province has to mobilize all the tools before us, not just some of them.

So, although important, conservation initiatives that encourage people to seal their homes, buy compact fluorescent lighting, energy-efficient appliances and water-saving devices—these are all great, but how about government-secured loans or smart leasing programs that would help people obtain the really expensive stuff? If you're not familiar with it, I encourage you to take a look at Toronto's Better Building Partnership. They're doing tremendous work in energy conservation.

We also need to rethink building codes. California regularly updates their codes and follows current technologies. In the United States, over the past 30 years, per capita they've doubled their energy consumption; Californians remain constant.

I also think we need to take a look at green rooftops in building codes. They conserve anywhere between 10% and 50% of energy consumed when you've got a garden growing right on top of your home or your business.

We also need to take a look at the design of buildings, building to take advantage of passive solar heating and getting to understand straw bale construction, for instance. It may not be achievable in all things, but certainly homes, and it saves 50% of the energy costs.

We also have to look at what we're making and how we're making it. When you step back and look at it, whether it's the associated energy or the compounded energy, all of this is what we call "embodied" energy in a product. We can better support items and processes and make great choices when we know what the energy is in these products. So I would suggest to you that we need enforceable label laws that tell us how much embodied energy is in a product.

Certainly items that use recycled rather than virgin materials use less energy. Aluminum is a case in point. When you use recycled versus virgin, you save 95% of the energy. In Ontario, though, recycling programs are on the backs of municipalities and us, the taxpayers. Further, they're not very effective: nine out of 10 water bottles go to the trash, to be either burned or buried. In at least 28 countries, they now have take-back laws: Products have to be taken back at end of life by the producer. When you do that, you give incentive to these producers to make better design choices and energy efficiency choices. They avoid toxic materials, for instance. So they avoid the suffering and the liabilities, but they also have parts that are uncontaminated that they can reuse. If they can do it in other jurisdictions, why aren't we doing it here?

Other government initiatives to promote energy efficiency might include: procurement contracts that take a

look at energy-embodied measures as a criterion upon which to judge them; funding for research and development for more renewables—I don't think we need to rest on our laurels—and more conservation; ecological tax reform. When you take a look at the United States, between 1950 and 1996 labour productivity in the US tripled. For instance, in the auto industry, a worker can produce three cars in the time it used to take to produce one. To maintain employment levels, then, the consumption of goods must grow. Well, that leads to an environmental catastrophe. Current taxation policies actually promote this folly. We tax labour, but we don't tax energy. Why can't we do it the other way around? When we do that, we give employers incentive for job creation and energy efficiency and, by extension, material efficiency.

The ways to a sustainable energy future are only limited by our imagination. Many of the ones I mentioned to you today are included in the Great Lakes United action agenda. It's entitled *The Great Lakes Green Book*. You can get it at glu.org.

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Another useful resource that I think provides a really wonderful overview of things is *Stormy Weather: 101 Solutions to Global Climate Change*. That's available at earthfuture.com/stormyweather.

So I conclude: I urge you to get creative, comprehensive and committed to energy that does no harm to those who produce it, those who consume it or the environment which sustains us all, including our economy. There are no profits, there are no jobs for any of us on a dead planet.

The benefits of this varied approach are as interconnected as our ecosystems. When we reduce our energy use and make wiser energy decisions, we reduce greenhouse gases, ozone depletion, smog, acid rain and toxic waste. When we create proper systems for recycling and reusing products, we conserve energy, but we also save the earth's limited resources for future generations. When we detoxify processes, we reduce the risk of cancer and other diseases.

These kinds of decisions, though, are by far and away more political than they are technical. Please use the power that is yours. Please give power to the people in ways that benefit all Ontario residents.

The Chair: Thank you very much. Mr Marchese, you're first up in this rotation. You have about a minute and a half.

Mr Marchese: Thank you, Ms Muto. Now, first question: Do you have a relative in the area of St Clair and Vaughan?

Ms Muto: We might. It might be my father-in-law's cousin.

Mr Marchese: Angela and Joe Muto? They're teachers—or he was a teacher or vice-principal.

Interjection: I don't believe so.

Mr Marchese: My second question is on nuclear. I've asked many questions to nuclear proponents. Many of the questions I've been asking are: Do you feel any qualms

about nuclear? Are there any dangers that you're afraid of? What about nuclear waste or radioactive waste? The majority of them—all of them—say that, no, they've got no problems with it.

Yet, when you talk to people like yourself who are very sincere and passionate about the concerns you've got, including Ms Alexandra McKee-Bennett, you realize that there are a whole lot of people out there who don't have a stake in the business and are able to separate themselves and speak about the calamitous effects of it. So it's important to hear people like yourself, because I think we all need to hear it. Some of us—our party, the New Democrats—are committed to phasing out nuclear. It really takes a great deal of effort by a majority of people to convince us all that that's something we should all be committing ourselves to. It won't come easy. It doesn't come easy.

When we look at the Pembina study, it does show, as you pointed out, that we can get there if we commit ourselves aggressively to it. So I wanted to thank you for coming and for the sincerity and the passionate way in which you presented the issues.

Ms Muto: Just as a comment, I think part of the problem is that people's livelihoods are invested in the current situation. That's why transition and getting really serious about that is really important. If people are not worried about their livelihoods, if they understand that they will have a job, then people will, I think, be much more open to talking about what's before us.

Mr Marchese: There was another study that talked about how Germany is able to use displaced workers from one field in others, and I don't think we talk about that enough, in terms of allaying the fears of workers who think they're going to lose their jobs by suggesting there are other ways in which they could be working.

The Chair: Thank you very much. We certainly appreciate your thoughtful presentation today.

SUZANNE ELSTON

The Chair: Next, I'd like to call upon Suzanne Elston, please.

Ms Suzanne Elston: First of all, I have presentations that I was asked to bring. I'll be distributing part of my presentation.

Mr McMeekin: Do you have any relation to Murray Elston?

Ms Elston: My only relationship with Murray Elston is that he once tried to drive me off the road because my husband's vanity plate is "Elston." He rolled down his window and went, "I'm Elston too."

Mr Marchese: That's very good. Good question.

Mr McMeekin: That's where I was going.

The Chair: Ms Elston, you'll have 15 minutes. Any time you don't use in your presentation will be available for questions.

Ms Elston: Terrific. Thank you for the opportunity to speak today. I would particularly like to thank Mr Marchese for his comments and questions to Ms Muto

about nuclear power. I, like Loretta, live in the Courtice area. I've been here for about 21 years. I started out as a mom asking questions, and because of my concerns about nuclear power was one of the founding members of Durham Nuclear Awareness. I have been a newspaper columnist writing on environmental issues for 15 years, and served six years as a public utilities commissioner for the municipality of Clarington. The last year of that was as a founding member of the board of directors of the Veridian Corp, the first public utility to both amalgamate and privatize under Bill 35. So I believe I have both a local interest and some considerable expertise to speak on this issue.

I would very much like you all to look at the handout that I've given you, if you would be so kind; just look at the front page for a minute. This was the back page of the July issue of *Wired* magazine. It was entitled "Artifacts from the Future." It isn't until you look at the picture for a few minutes that you realize exactly what it is. It's a gym with a bunch of people on exercise bicycles, and they're all tied up to the grid. What they're doing is, with their exercise, generating electricity, which is being fed back to the grid. This is a vision of the future that I would like you all to take a really—

Interjections.

Ms Elston: The point of this is that we have far too narrow a scope. Today is the first day in the rest of our energy future. This committee and this government have inherited a huge dinosaur, if you will; a huge legacy, if you will. This province has relied very heavily on nuclear power for many decades. It's always easier to ride the horse in the direction in which it's running, and so we have this vast momentum around nuclear power and nuclear issues and we don't think outside of it. We don't think, "What are the possibilities other than nuclear?"

Gene Roddenberry was the creator of *Star Trek*. I'm a big fan of visionary men. He said that we'll head in the direction in which we look. This isn't about where we've been; this is about where we can go. Again, I remind you of this great example. We can look at this and say, "Yes, that's really cute and you've made your point, but it's not doable." I'd like to remind you that 25 years ago, this province's educational broadcaster, TVOntario, did a landmark series called *Fast Forward*. In it, they interviewed a man who had taken his television out of the wall, unplugged it, and hooked it up to a generator on a bicycle. His children could watch as much television as they could generate electricity for. That was 25 years ago. We have an amazing amount of ingenuity as a species, and because the electricity is always there when we turn the lights on—unless it's August 14, and then we're all in trouble—we have to stop looking at what we already have. That's why I came here today, because I want to empower you to, as Apple Canada would say, "Think different." Keep this picture in mind.

Amory Lovins, who is the founder of the Rocky Mountain Institute, has often said that we do not need electricity; what we need are the services that electricity provides. You can take your 100-watt incandescent light

bulb or your 15-watt compact fluorescent, and they generate the same amount of light, one using one seventh of the energy. The compact fluorescent also does not generate heat, which on a day like today would be a really nice thing to have. The point is, we already have these examples, but unfortunately we haven't embraced them, because we see that as one isolated thing. Again, we need to "think different." We need to become what I call "prosumers": producing consumers. We have the example with hybrid gas vehicles, where you're generating the electricity when you're consuming gas, so you have this very efficient use of energy. We need to start looking toward this on our electricity consumption.

To carry the light bulb example a little bit further: Again, as a utilities commissioner, we're not necessarily selling electricity. That's the mindset that we're in, because we come from a huge public utility where the primary product was electricity. Let's look at the services that electricity provides. Why not have a system in place where, instead of paying for electric heat, we pay for a solar water heater on our utility bill? There's still a bottom line; you're still generating revenue; you're still fuelling the electricity machine, if you will. But what you're doing is you're creating independent, sustainable energy so that you don't have blackouts like you did on the 14th.

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I'd like to turn my attention toward our nuclear mentality. I don't know if any of you had the opportunity to take a look at the second-quarter nuclear report cards that have come out of both Pickering and Darlington. We keep hearing about how incredibly efficient nuclear is and how we can get up our production and it's going to be great, and this is the engine of the province, and we've made a commitment to shut down coal so we really need to focus on our nuclear.

You've got to read these things. For example, at Pickering the capability factor was targeted at 73%. It only hit 67%. But what's interesting about this is that the industry benchmark is 91%. Similarly, with Darlington we have a capability factor of—the target was almost 88%; the reality was 84%. Again, the industry benchmark is over 91%. So we keep saying that this is a wonderful thing but we are believing the people who are in the industry. Ms Muto touched on this and I'd like to hit on this for a bit: the idea of vested interest.

The people who come here, who are paid to come here, who have expense accounts and somebody to do their overheads and somebody to do their presentations, have a vested interest in seeing that nuclear continues in the paradigm that it is. People like myself and Loretta, who have taken the day off work, who take money out of our pocket to pay for colour photocopies to make our point and drive here, and drag our 10-year-olds here, who would much rather be playing outside—you have to understand where the heart is on these issues. The technology is out there, I believe that the incentive is there, and what we have isn't working.

In Bill 100—if we can address that, because that's actually why we're here—you've committed to 5% of

Ontario's energy coming from renewables. The RFP that went out asked for 300 megawatts, or about 1% of our current capacity of 30,000 megawatts. In response, 4,400 megawatts of proposals were received. That's wonderful. Why not say, "Great, let's raise that"? Instead of having a ceiling, let's have a basement. Our bare minimum is 300 megawatts. We got 4,400 megawatts; let's move ahead with it. Let's move in that direction. Let's move in the direction in which we look. If we predict an energy-renewable, sustainable future, that's exactly what we're going to get.

To quote Albert Einstein, whom I'm a very big fan of, we cannot solve the problems we have by using the same kind of thinking that we used to create them—again to go back to nuclear technology. We have the idea of a large mega-utility. We tried public power, then we tried private power and now we've got this public-private power. The bottom line is that we need to get out of the mindset of it being some big, large thing. I want to generate my own electricity with my exercise bicycle. I want to generate my own hot water through my own solar water heater. "We have the technology," to quote The Six Million Dollar Man; "We can rebuild him." We need to definitely look into the future.

Albert Einstein also observed that the true definition of insanity is doing the same thing over and over again and expecting a different result. I put it to you that we have been doing the same thing over and over and over again for decades. Nuclear power is not the answer; it is not sustainable. It is extremely expensive. We haven't even come up with a solution for high-level nuclear waste. The one time that all three parties in the federal government, when there were only three parties, ever agreed on anything was in the standing committee's report on forestry and mines in 1988 called The Eleventh Hour, which in 1988, 16 years ago, said, "Hey, we still haven't come up with a solution for nuclear power. Let's stop making this mess." We continue to stockpile the waste. We are no closer to a solution for high-level waste now than we were 16 years ago.

We are creating a legacy for the future. All the things I've done, all the interests I have, fundamentally come from the fact that I'm a mom and I've got three kids and I want them to have the same world and the same opportunities that I had when I was a kid.

I call your attention to, again, the second-quarter reports for OPG—the main report. We talk about the sustainability of nuclear power and how we're going to use it as our baseload because we're shutting down the coal plants. On page 18, very subtly hidden in the body of the copy, it says—we're talking about Pickering A now. This is the good plant; this isn't the one that has all the problems. Talking about fuel channels: "As a result of recent inspections of fuel channels, conditions were identified that will require acceleration of planned remediation programs at the Pickering B station. These findings will result in additional inspections of the fuel channels, lengthening previously planned outages, and will advance certain maintenance procedures from 2007 and 2008 to 2004 through 2006."

The translation is, they're going to be shutting down Pickering B sometime this year because of problems with the fuel channels, and that's buried on page 18—one line on a 64-page report. These are the kinds of things that we need to be looking at.

In addition, in response to the August 14 blackout last year, this is OPG's solution: "Let's buy a standby temporary generator, at a cost of \$50 million, and use that for a couple of years until we can get another one for \$200 million." This is a quarter-of-a-billion-dollar solution. Do you know what we could do with a quarter of a billion dollars in terms of public education, renewables, energy reduction and energy efficiencies? We have to look in the direction in which we want to head.

Again, page 6 of the second-quarter report: "The total cumulative expenditures for the preparation and refurbishment of all four units to the end of June 30, 2004, including the common operating systems for the station, were \$1,723 million"—\$1.7 billion. The entire climate-change budget for this country is \$2 billion, and yet we're throwing almost that entire amount at one nuclear plant for this province?

I put it to you that we need to think differently. I put it to you that we need to look at this picture and dream a little bit. I sure am glad it's you guys and not me that have to come up with these wonderful ideas. Thank you so much for your time.

The Chair: Thank you very much, Ms Elston. We have three minutes left. On this rotation, we have Mr Arnott first, followed by Mr Marchese, and any time left over for the government members.

Mr Arnott: I won't take all the time because I want to give my colleague Rosario Marchese a chance to speak too. I just want to thank you for your presentation. I was pleased that the committee agreed to come to Clarington so that we would have an opportunity to hear from people like you, in your own community. Also, this committee, you may know, is going to be touring the Darlington generating facility this afternoon. I think that's going to be an excellent experience for all of us to give us an opportunity to learn a little bit more about what's happening there and perhaps, in the course of conversations with the staff, pass along some of the concerns that we've had from people like you at this committee.

So again, thank you very much for your presentation and the thoughtful ideas that you brought forward.

Ms Elston: Thank you.

Mr Marchese: I want to thank you as well for a knowledgeable, passionate and sincere presentation. That's in fact what we need. It's useful to repeat this, because you need to convince us all—not just opposition parties, but the government—that we're on the right track, or that you're on the right track with your suggestions.

The point you made about the request for proposals for the 2,500 megawatts of clean power is an important one to be reminded of. Given that we have surpassed the 300 megawatts that we're asking them to give us bits for, if there is a high demand or a high interest and we can

produce much more through renewables, why wouldn't we do that? I haven't heard the members speak on this, and we hope that you might address it as well, because I think we need to convince the minister that this is the right way to go.

Producing power through renewables, looking at conservation: Many people have spoken to that—you, not as much, but others have talked about how renewables and conservation go hand in hand and that, if we do the two aggressively, we can accomplish so much. So I think there's a lot that can be done rather than relying on the old power and relying on the fact that we're going to have to refurbish all these nuclear plants and they're very expensive. Committing ourselves to that commits us to the kind of problems that people have spoken to earlier, and that's of concern to me as well.

So whatever reaction you have to whatever I might have said would be great.

Ms Elston: I'll tell you a little story; it's about the man who sold hot dogs. There was a man who was a hot dog vendor who worked on Bay Street. Every day, his financial analyst would come by and he would say, "The market's good," or "The market's bad." This guy sold the best hot dogs in the city; always sold out. One day his financial analyst came and said, "You know what? I hear there's going to be a downturn in the economy. You'd better stop buying as many hot dogs because you're not going to be able to sell them." The guy said, "He's a good man," so he cut his purchases by about 75%. Sure enough, that week he only sold that many hot dogs. So the guy came back and said, "How are things?" He said, "I was 25% down this week." The next week, he only bought 50% of the number of hot dogs, and sure enough, he only sold 50%. The next week, 25%. He said, "There's definitely a downturn. We've got 100%, 75%. This week, I'm only going to buy 25% of the hot dogs that I usually buy." Lo and behold, he only sold 25%. At that point in time, he realized he couldn't make a living at it, and he closed up business and went away.

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This is the exact opposite of what Mr Marchese was saying. Again, Roddenberry: We'll head in the direction in which we look. If we say we can only do 300 megawatts, guess what? That's all we're going to do. But if we had this overwhelming response in this province to people who are willing to open up and embrace, then let's forget about the ceiling; let's call it a basement and just go from there. There are so many opportunities. You are empowered with a very serious decision, but you also have the universe to look at.

Again, I thank you for your time.

The Chair: Thank you very much, Ms Elston.

SOCIETY OF ENERGY PROFESSIONALS

The Chair: The next presenter is a maintenance specialist from Ontario Power Generation. Mr Heilandt, I believe, is ill, and Mr Tomlinson is unavailable, but we do have a presenter, if you'd just identify yourself, please.

Mr Andrew Müller: My name is Andrew Müller. I'm the president of the Society of Energy Professionals. We spoke to you on day one of the committee hearings. Mr Heilandt and Mr Tomlinson send their regrets. I'm as surprised as you are to be speaking to you today. They fully intended to come and speak from the perspective of people who work in the nuclear industry, but due to unforeseen circumstances they both can't be here. So I offered to do my best to cover their presentation.

I just wanted, by way of introduction, to point out it's a bit surprising to be following the previous speakers you've heard here today, and hopefully more surprising for you to find out that, in a lot of cases, we don't disagree with what they have to say. But I think there are a few things you can extract from what they said that are important to the committee here today.

The first thing is that Lewis Wheelan, whose family was significantly supported by the labour movement here in Ontario, died from the lack of electricity. He was injured from the lack of investment in maintenance in the electricity industry, and then he died from the lack of electricity. My members, who are 6,000, work in all aspects of the electricity industry: Bruce Power, Ontario Power Generation, Hydro One, the Independent Electricity Market Operator. We see all aspects of this industry and it's our job to keep the lights on for Lewis Wheelan and for everybody else in this province.

The second thing I want to say is, in speaking to Mr McMeekin, he educated me on the fourth P of the three Ps that people talk a lot about, and that is people. I wanted to educate the committee on the fourth dimension, about the world we live in. Most people think we live in a three-dimensional world—it's got height, it's got width, it's got depth—but the fourth dimension is time, and it's something we have to consider in doing everything we talk about.

We certainly support conserving energy. We certainly support the development of renewable energy. All of that takes time. During that time, the lights need to stay on. This microphone is powered by electricity, the lights in this room are powered by electricity, all the clothes we wear and all the materials we use were produced by electricity. Someone needs to produce that electricity while the government rightfully debates how we should produce it. That's really where this presentation comes from.

We're facing a crisis that not a lot of people want to talk about. It's not just the crisis to supply the growing demand in this province, it's the crisis to keep the generation we have in place while we work on that problem. So we believe that nuclear needs to be a key component of the supply mix. It already is. It already supplies roughly half the electricity we use in this province, but we need to maintain that and in fact perhaps even expand that while we work on these other solutions, while we implement the green solutions, while we implement conservation.

We need to give OPG the mandate to continue to do that. They're now operating in a vacuum. Since this gov-

ernment took office and changed the plans of the previous government, OPG has been working in a vacuum. They do not have clear direction on what they should do. They're not able to adequately invest and maintain their units and to keep the lights on while we debate what to do. And then we need to look forward and talk about the inevitable increasing demand for electricity and how we're going to meet that.

I want to quote a few things out of the task force reports that have come before you. They go to two areas.

One is that nuclear facilities supply the baseload generation in a reliable, low-cost and virtually emission-free manner. The Electricity Conservation and Supply Task Force report supports that. Olaf included two quotes from that to assure you that this doesn't only come from people who have a vested interest in the industry; it comes from people throughout the industry who are affected by it.

The second thing is that nuclear facilities should be rehabilitated and expanded to ensure continued baseload supply to meet Ontario's needs. The OPG review committee supported that, and we included a number of quotes there that talk to that, about OPG continuing to play a role in maintaining and developing these assets.

The fact of the matter is, as some people have pointed out, some new discoveries have come up this week but they weren't really unexpected; just the timing has changed. All of our nuclear facilities are going to need rehabilitation if they are going to continue to operate.

Most people look at the supply picture today and assume it will stay this way forever unless we build windmills or more hydroelectric stations or what have you. The truth is, time is going to change that mix, because our plants will stop operating as they get older if we don't fix them. Ontario is struggling to have the capacity to repair the plants we're working on now. You'll recall Pickering A, unit 4, and now Pickering A, unit 1. All of the nuclear plants are going to need rehabilitation in the next 20 years and that's a major challenge. So we think OPG needs to have a clear mandate to do that for the units they look after, including the rest of Pickering A, which represents 1,500 megawatts of baseload power. We also should work to encourage that Bruce Power refurbish the two remaining units that are not operating at the Bruce facility, which, I'll point out, are owned by OPG on behalf of the people of Ontario. They are going to need the government's support and buy-in to do that, and we're going to need co-operation between both OPG and Bruce Power to effect that rehabilitation, because there are limited resources in the province with respect to people with the skills and knowledge to the work, and that's in the private sector as well as in the public sector.

The second aspect is that OPG and Bruce Power should be encouraged to pursue new generation projects. These projects take a lot of time to come to reality. It takes something in the order of 10 to 15 years to build a new nuclear facility, so we can't wait five years to suddenly decide, "Well, things didn't work out as we

wanted them to and we now need a plant." We should have been doing that planning 10 years ago in order to achieve that target.

It's easy to poke holes in a large target. OPG, Bruce Power, nuclear facilities are very large targets, but I think we need to remember that they supply a large component of the electricity in this province. As workers in that industry—I'm a nuclear engineer with 17 years of experience both at Bruce Power and the Darlington generating facility—we know that things take time, we know things take investment and we're fully supportive of change in the industry, but in the meantime the lights need to stay on. Lewis Wheelan needed the lights; we all needed the lights on August 14, and we'll continue to need that as we make changes. Thank you.

The Chair: Thank you very much, Mr Müller. We have about five minutes for questions. In this round the government members are first. Any questions from the government side? Ms Wynne—or, I'm sorry, Mrs Cansfield, the parliamentary assistant.

Mrs Cansfield: Ms Wynne can go first.

Ms Wynne: Thank you very much for being here. I think it's interesting what's happened in the last couple of speakers: We've moved away from a discussion that has been ongoing in these hearings about public versus private and we've moved on to, I think, the more fundamental issues which are safety issues and keeping-the-lights-on issues, which I think are critical. Really, the public/private discussion is a power issue, if I could use the term. All things being equal, if I can have a clean, reliable source of power, as a human being turning my light switch on, I don't really care who's supplying it. It's sort of like who pays for the swimming pool, and I don't really care who pays for it but I want to be able to swim. I think those human issues are critical.

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I have a hypothetical question for you. As an individual I struggle with this. If there were a way to fairly deal with employees in the power industry and if it were possible to replace nuclear with water, wind or solar, would you suggest that a government anywhere look toward reducing reliance on nuclear over time? Nobody is going to deny that there needs to be a role for nuclear in the short, medium and probably long term. But going back to what Suzanne Elston said in terms of the direction we should be looking, if those other things were in place—the employees were going to be looked after and we had those other sources—would you increase or decrease reliance on nuclear, knowing what you know about the industry?

Mr Müller: I have a couple of comments to make. Number one, you'll notice that none of the speakers who work in the power industry, the professionals who have come before you, and certainly not—when I spoke to you on Monday two weeks ago, did we ask for just transition? Did we show concern about the loss of our jobs?

Ms Wynne: We all should be concerned about them, absolutely. It's a real concern.

Mr Müller: I want to explain why. My members are professionals. Their skills are highly sought after by their

companies—engineers, scientists, accountants and so on. They are less concerned about the security of their jobs; they are more concerned about the security of the industry. My members can adapt. In fact, many of the members in my organization were there when they were building hydroelectric power plants and then they helped build the coal plants and then they helped build the nuclear plants. It's not such a surprise to think about this when you look at where the first commercially operated windmills were located in this province: the Bruce Power nuclear facility and the Pickering nuclear facility. These things are just evolutions of generating power. My members are fully prepared to move forward and change that.

We absolutely support reduction of the environmental footprint of electricity generation by any means possible. But as engineers, and many of my members are engineers, we have to introduce the reality factor that it takes time. No other jurisdiction has done what the Pembina Institute is recommending. I'm not saying it can't be done, but we haven't found a practical example where it has been done yet.

Ms Wynne: Thank you for answering my question. You've said "decrease," because over time there may be ways to do those other things.

Mr Müller: Certainly.

The Chair: Mr Arnott, maybe a minute and Mr Marchese, maybe a minute.

Mr Arnott: Very quickly, your presentation doesn't mention conservation. What is your honest assessment of the potential savings in load that can be achieved through conservation in the next five years?

Mr Müller: Fundamentally, our organization supports the Electricity Conservation and Supply Task Force report on that. It's something in the order of a 1% per year reduction in demand, but considering that demand is growing by almost 2%, we're still going to see some amount of growth. The best jurisdictions are in that order, whether you look at California or Denmark or what have you. So it's in the 1% to 2% range.

Mr Arnott: Some of the presentations to this committee have told us that we could conserve 40% of the electricity that we now consume by 2020.

Mr Müller: It might be theoretically possible but it hasn't been demonstrated. We're certainly willing to help try, but we have to be real about this because if the lights go out, people die.

Mr Marchese: I can't help being concerned about some of the contradictions I think I'm hearing. You're saying that your professional members are more worried about the security of the industry than security of their jobs, which to me speaks to the fact that they support nuclear. So that's a concern.

Secondly, you say, "We support the previous speakers and, yes, we'd like to move to the other renewables and possibly conservation," but you then advocate for an expansion of nuclear. They seem to be inconsistent, or are they not?

Mr Müller: I don't think they are inconsistent. When I talk about security of the industry, I mean security of

the provision of electricity that we all use, and that's whether it's increasing in demand or decreasing in demand. So we're not fixated on any particular technology to produce it as long as it is there for the people of Ontario who need it.

Mr Marchese: All right, but if you support the idea of phasing out nuclear—we need nuclear, but you support the idea of possibly phasing it out on the assumption that we have all the other things coming into play: the renewables and other conservation strategies. So if we have that, and we slowly get rid of nuclear down the line, why are you proposing the building of more nuclear? That's what your conclusion says.

Mr Müller: Because of that fourth dimension; it is going to take time to build windmills. It takes—and this is a rough calculation—2,000 windmills of the kind that are on the CNE grounds in Toronto to replace one unit at Nanticoke generating facility. So in order to do that, to build those windmills, it takes time. During that time, demand is growing. There's not a jurisdiction in the developed world where electricity demand is decreasing. So during that time, we need to meet that demand to keep the lights on. Therefore, we need to build plants while we build windmills.

The Chair: Thank you very much, Mr Müller, for your presentation today.

CANADIAN COUNCIL OF GROCERY DISTRIBUTORS

The Chair: I'd next like to call on the Canadian Council of Grocery Distributors. Mr Sherwood, welcome.

Mr Justin Sherwood: Thank you very much. My name is Justin Sherwood. I'm the vice-president of foodservice and public policy for the Canadian Council of Grocery Distributors. I suppose I'm one of those vested interest groups; that is, on salary to come here and present the perspective of our industry relative to Bill 100. Thank you very much for providing me with the opportunity to speak to you.

In terms of the deck that I've put together, I'd like to tell you a little bit about who the Canadian Council of Grocery Distributors is, what we do, and then a few quick comments on our perspective on Bill 100.

In terms of the Canadian Council of Grocery Distributors, we're a national trade association representing the interests of chain grocery retailers, grocery wholesalers and foodservice distributors. We were established in 1919 to represent their interests. We have offices in Toronto, Montreal, Halifax and Calgary, and we work to represent our members in a variety of public policy issues, both nationally and provincially.

Our members in Ontario are as diverse as Loblaw Companies Ltd, the Great Atlantic and Pacific Tea Company, Colabor, Canada Safeway, some of the foodservice distributors who are supplying to restaurants, institutions etc.

In the province of Ontario, our members represent approximately \$2 billion worth of sales. We operate or

supply approximately 7,000 stores. We have a presence in almost every single community in the province. Our members account for 85% of the food products consumed and distributed within the province of Ontario. That means 85% of the food consumed in the province, in one way or another, has gone through our members' hands.

Our foodservice membership supplies 70% of the foodservice institutions, 70% of the restaurants, 70% of the hospitals, 70% of the nursing homes, 70% of the prisons. We employ about 160,000 Ontarians with a payroll of about \$3 billion, and we spend about \$1 billion a year on building new stores and, obviously, energy is a top consideration as we design and build our new facilities.

As an aggregate, our industry is perhaps the largest commercial user of electricity within the province of Ontario. The average retail location uses between 30 and 50 kilowatt hours per year per square foot of the store, with an average summer load factor of between 70% and 90%. Well over 50% of that energy usage is to keep the food that we sell safe to eat. It's a legislated requirement under the Ontario Health Protection and Promotion Act, Ontario regulation 562 of the food premises regulation, which requires that refrigerated foods be kept at four degrees Celsius or less, and frozen foods at minus 18 degrees Celsius or less. The balance of that energy usage is for heating, ventilation and air conditioning purposes, lighting, and other store systems and operations.

To give you an example of the average usage per year, we have a quick table included within the presentation, and it indicates, obviously, that your average 60,000-square-foot grocery store is using about two million kilowatt hours per year. And remember, I said 7,000 retail locations in the province. So that will give you an indication of the amount of power we use.

1400

In terms of points that I would like to talk to, I would like to talk to the need for certainty in the market, the issue of attracting investment to the province, conservation and coal phase-out, if I can beg your indulgence.

The first is the issue of the need for certainty in the market. Our members, when the electricity market opened in the early part of this decade, negotiated contracts based on projected demand with energy generators. Those electricity contracts are now coming due and as they go out to the market in an attempt to procure what they would consider to be reasonable contracts to service their needs—and remember, they are large users—they are having an extreme amount of difficulty in soliciting those contracts, the reason being that players in the market really are struggling to get their heads around what the future potential impacts of Bill 100 are. So from our perspective, the quicker this process can be wrapped up, the better, because it provides certainty in the market and will allow business to continue to go on and get the certainty they need to run their businesses.

Secondly, on the issue of investment, if the government is looking to private investment in order to solve

the future energy crisis—and we know there is an energy crisis coming down the road—then we need to make sure that the bill really works to promote investment; either that, or we should be looking at a completely public utility. We're concerned that the provisions of Bill 100 will act as a disincentive to future investment in the market. First of all, you're adding another layer of bureaucracy: the OEB, the IMO, now this new administrative body that's being created, you've got the heritage power group, and the government is really no longer speaking about the break-up of OPG. From our perspective, if you are a competitor looking to invest in the market, if you see a government-backed, large, significant competitor, why would you be making investment decisions in Ontario? So that's really a concern. We recommend that we should take a critical look at Bill 100 to make sure that there is proper incentive for investment if we're going to get private investment to solve our energy needs.

In terms of the issue of market signals, one of the concerns we have when you provide a fixed rate to residential consumers is that you're really separating them from the supply-demand curve. That means they are being insulated from market signals relative to peaks in power. If you spread that across the year—let's say you're insulating the residential users in the summertime, you're really insulating them from those peaks that would send them the signal to turn down or turn off the air conditioning. This insulation reduces the incentive to reduce power consumption during peak times. We really feel the government should take a look at how to minimize that insulation and shorten the periods in which the fixed-price power is smoothed over in order to ensure that market signals are transmitted on a timely basis to residential consumers.

On the issue of conservation, we all know there's a shortfall coming and we're very concerned that the present conservation efforts will not yield the results required. Additionally, we're concerned that the government appears to be taking into consideration in advance those conservation figures as if they've already occurred. From our perspective, we think there is a requirement for a province-wide strategy in advance to deal with the conservation issue. We don't think that simply providing funds and incentives to local distribution companies will have the desired effect. So we recommend the development of a province-wide conservation strategy and also that the government does not include conservation figures within their overall supply-demand calculations until they've been achieved on a sustainable basis.

The last issue I'd like to address is one I'm sure you've heard a lot about, and that's the issue of coal phase-out. From our perspective, we can put it quite simply: We do not think the time is right at the moment, given the fact that we're facing a 5,000-megawatt to 7,000-megawatt shortfall over the next few years, as predicted by the Ontario Power Generation review committee. We don't think the time is right yet to consider the phase-out of coal until significant or substantial alternate power is available. I won't enter into the debate

as to whether that should be renewable or nuclear. I'm sure you've heard enough about that today.

That concludes my brief presentation. I'd be happy to answer any questions.

The Chair: Mr Sherwood, thank you very much. We have about six million—six minutes for questions.

Mr Sherwood: Six million?

The Chair: I was thinking about cost. On this round, Mr Marchese, you're first, followed by the government and then followed by Mr Arnott.

Mr Marchese: I've got a few questions. One of the concerns you stated was—it is true that when this party was in opposition, they did talk about the breakup of OPG, quite right, but they are saying now that the new OPA, the Ontario Power Authority, will not be able to bid into the clean power gas-fired initiatives. You're not concerned about that. You're saying that unless they recommit themselves to the breakup of OPG, somehow, for that reason, the private sector might not want to get involved.

Mr Sherwood: If, as a business person, I'm looking at a potential market and trying to determine whether I'm going to be making an investment decision in that market, if there's a large government-backed competitor in that market—and the government has, with all due respect, changed its position on that issue already—I would be cautious about making investment decisions in that market. My concern is that the signals that are being presented out there as you're trying to look for potential foreign investment to—

Mr Marchese: No, I understand. Mrs Cansfield is going to tell you that there's a great deal of private interest in the production of the 2,000 megawatts of clean power, so she might ask you some questions in relation to that.

You're saying that the blended rate is a problem because it insulates certain consumers and you're saying it will prohibit consumer conservation. That's your concern around the blended rate?

Mr Sherwood: I didn't say it would prohibit.

Mr Marchese: I used that word, I guess.

Mr Sherwood: What I said was, it will act—

Mr Marchese: As a disincentive.

Mr Sherwood: —as a barrier, because it smooths the peaks and valleys and insulates the residential consumer from the true cost of the power at that particular time.

Mr Marchese: So your concern is not really consumer conservation so much as that everybody should get hit by the market with whatever legitimate price or real price is out there for electricity, right?

Mr Sherwood: Conservation, I would like to think, for your average consumer will really come down to—one of the primary motivators for conservation will be the pocketbook, as much as I would like to think it would be noble causes. Speaking personally, I just renovated my house and installed a brand new central air conditioner. It wasn't there originally. If I am subjected to a smooth rate, I may not feel the peaks and valleys of the true cost of energy, and I think most consumers are the

same way. What you're really doing is taking away that financial incentive or lessening that financial incentive to conserve when there is a peak in demand.

Mr Marchese: I hear you. Thank you. I want to leave some time for the others.

The Chair: We have two minutes.

Mrs Cansfield: I would like to know if you've read the regulations that have been put out around the procurement process. They've been on the Web. In fact, they might alleviate some of the concerns you've expressed.

Mr Sherwood: I personally have not. My members have.

Mrs Cansfield: I think it may be an opportunity for you to review them, and then if you still have some issues, they could be discussed.

The other is the issue around—I think you've heard we had a discussion around the fact that there would be time-of-use rates and that the issue around the interval metering process would enable people to make those choices and decisions as they choose. They can opt in and out of that.

The question I have is around the industry itself, and I don't know whether I should speak to it as a parliamentary assistant or as a person who shops in stores.

Ms Wynne: Cold.

Mrs Cansfield: They're ruddy cold. Interestingly enough, the industry uses 50% of the electricity, and one of your clients is the largest user of electricity in this province. I happen to go into that store on a regular basis, and it is cold.

1410

My question is, do they do internal audits? Do they check their equipment? I recognize in large buildings—and certainly some of them have large footprints—it's hard to accommodate back and forth, but I find it interesting that the temperature has to be kept at 60 degrees—because that's definitely what it is in some of those stores—and then have someone turn around and tell me they can't afford that price.

Mr Sherwood: I think what you're seeing is, if you walk into a newer-format store—and there's continual investment in equipment. The lifespan of equipment and fixtures in a retail environment is quite long and it's written down over quite a long period of time. If you walk into newer stores, you will see some of the considerations you're alluding to.

Interjection.

Mr Sherwood: Yeah, doors on coolers, efforts to have more energy-efficient equipment. What you do have is a significant legacy of—and when you're talking about 7,000 retail locations, you're talking about billions of dollars of investment in existing equipment. We had this discussion before, I think, when we met. The issue is there's a significant hurdle rate when you're dealing with basically a low-profit, high-volume business in terms of justifying an upgrade of that equipment. We've made it very clear that we think there are considerable conservation opportunities available in our industry. The

issue really becomes making sure that that cost hurdle and that investment hurdle is there.

Mrs Cansfield: Certainly within EnerCan there is the opportunity to do the audits and to use the minimal payback type of situations, to work with your folks to do that. Are you doing that?

Mr Sherwood: Yes. All of our members are participating in the Natural Resources Canada energy innovators program. Again, I don't want to be too shameless in my promotion here. Any further incentives will just speed the process.

Mrs Cansfield: I don't disagree, because I think that's one of the other issues you've identified, and many others have. This piece of legislation is enabling legislation; it will be the regs.

The Chair: Thirty seconds, Mr Arnott. Quickly.

Mr Arnott: You've said your members are concerned about the government's proposed phase-out of coal by 2007. You may know that our party, when in power, suggested coal should be phased out over a longer period. I think we felt it was responsible to attempt to phase it out by 2014 or 2015, I forget which. Obviously, you would concur that we were right.

The Chair: Thank you, Mr Sherwood. We appreciate your presentation today.

EMPCO

The Chair: Next, I'd like to call upon EMPCO, Mr Edgar Wünsche, president. I hope I pronounced that right, sir.

Mr Edgar Wünsche: No, but that's OK.

The Chair: You have 15 minutes sir. Welcome to our committee.

Mr Wünsche: I'm representing the small company, EMPCO, which manufactures electric arc furnaces for steelmaking. Quite frankly, I'm using this opportunity to eventually wake up the government agency to the facts of life. The facts of life are that for three or four years, since we finished our contract with Demag in Germany, we have been trying to save energy by switching to different types of energy for steelmaking.

As you can see in our presentation, in the steel mills of Dofasco, Stelco, Ivaco, Slater, Cambridge and Ameristeel, Ontario is producing about 4.5 million tons of steel. This steel is produced by electric arc.

Electric arc is extremely inefficient for producing the thermal energy for melting steel. Electric arc was good for commercial purposes when electricity cost about 15 mills, 1.5 cents a kilowatt hour, and electric graphite cost 20 cents a pound, and back in the beginning when there were bundles of scrap. However, today, with an energy shortage—I don't like to call it a crisis because it is not exactly a crisis. That is some kind of an improper term for it.

I would like to suggest the following, and then I can answer questions. I presented a paper and we wanted to show the slides, but we don't have the opportunity here. Basically, it's the following: Practically two alternators

of the Lakeview generating station could be saved if electricity was switched by natural gas and oxygen. Furthermore, the production of carbon dioxide would be reduced to one third, nitrogen oxide and nitrogen dioxide wouldn't exist and sulphur oxide could be removed by implementing lime in creating calcium sulphide, which is actually drywall.

I tried all these things for three years. I addressed Mr Eves, Mr Flaherty, Mr McGuinty; every one I can prove. Some of them answered my letters; some of them did not. I told Mr Eves personally that he should go to hockey. Why? Because he has the most beautiful passing game on his team.

The Chair: It just shows you there's a career beyond politics, then.

Mr Wünsche: Pardon?

The Chair: A career beyond politics: hockey. Go ahead.

Mr Marchese: Don't worry. Ted will pass that on.

Mr Wünsche: No, I told him personally. You see, I sent the letter to Mr Flaherty, he sent it to Janet Ecker, Janet Ecker sent it to Baird, Baird sent it to Chris Stockwell and Chris Stockwell sent it over there. One or the other finally answered, after three or four months—an urgent story. I'm telling you, instantly, practically for free—you understand what I'm saying? My English is not the best—steelmakers are going to make more money because it is cheaper, and ecology is going to be served well. If you look at our slides, there are some graphs—the slide projection. Instantly, two generators will be freed from the burden of electricity.

Mr Marchese: Is this technologically being used here or somewhere else?

Mr Wünsche: That is used in Europe. I can tell you one thing: I am a member of the European coal commission. That is my second point. I haven't come to it yet. We are getting 45 million euros from the European Community for about 40 steel mills, to develop this in ultra-low carbon dioxide. I am the initiator of it. EMPCO of Canada is the initiator. We have an invitation to go to Germany immediately, everything paid. I say, "Why should I? I'm living here. I was an immigrant since 1968. I'm from Czechoslovakia. Why should I go there?" Five years ago, we sold our patents to Denmark. That's over. Now we are free again. I want to do it here in Canada, but nobody wants to listen.

My grandmother told me—and forgive me if I'm going to touch anybody; I don't intend to—"I'm not afraid of evil people, I'm afraid of the stupid ones, because stupid people hurt you and they don't know why. Evil people hurt you because they want to hurt you; stupid people hurt you without knowing why."

I'm on the border, somehow, to question myself how that is possible, because that is so evident. When you look at these slides, they're so evident and provable. It is simple physics and simple mathematics.

Actually, in this committee in Toronto, on August 12, Mr Pejovic—he's a professor from Ryerson University—also said that it is a question of the generators, and

nothing was invested. That has to be invested to use as rotating condensers.

The other thing is, we are going to present eventually—but I am bound yet by secrecy to the European commission—the replacement of nuclear power with clean coal. This is just my personal opinion. We are talking about Pickering. What is the problem with Pickering? Is it the electrical part? No. The electrical part is the same. Like anything, only the steam. What is the problem? Nuclear. So if I replace the nuclear with clean coal, I immediately have a new power station, right? No problem.

1420

The Japanese have huge barges on behalf of these recreational floating hotels, with, let's say, 500 megawatts of steam. They can bring them over here and put them down, and you have steam and immediate energy, definitely for a fraction of the cost.

There is information from Europe that the United States now has \$3-billion or \$4-billion lawsuits against the government, for not taking to the final dépannage the nuclear waste. It is still so wet in a nuclear power station, or dry in temporary storage. But permanent storage, or whatever it is, is not yet done. There are about \$3 billion or \$4 billion in lawsuits against them, and that goes against the nuclear.

Anyway, that is not the main thing I have used this opportunity for, for which I am grateful to everyone. I have designed and built the first Canadian steel furnace for IPSCO. I started IPSCO's fame—IPSCO in Regina. We did Lake Ontario Steel. We did all the plants. We did them all around the world, all from Canada, from little Whitby.

What I would like to say—and I would like to read that, because that is a very interesting point I want to make—is that in summary, EMPCO is most respectfully suggesting that the final content of Bill 100, 2004, electricity restructuring, incorporate the following:

Establishment of appropriate, by law, enforced limits for all types of pollution, matching limits of industrial countries—not to talk to Sudan or Timbuktu or whatever, but let's say, Germany, France, Sweden.

The second one: by meaningful incentives—the answer I had before from Queen's Park was that you're going to give out tax incentives. That's useless, because the steel industry was so battered. Nobody is protecting the steel industry. In the countries that don't have any regulations for pollution, they're polluting so lousily and so wastefully. Now we have to compete with them. They work for this much rice a day. You cannot compare the standard of our workers here in Canada with them. Nobody was protecting it, so the steel industry was battered. The steel industry didn't have money. I finally found one company willing to put it in—Lake Ontario Steel, here in Whitby.

But “No, no, that is not our policy.” We say, “We don't want a money grant. We just want a guarantee of a loan, what everybody else has.” In Quebec, Bombardier had billions in guaranteed loans. Why not here? Is

anybody going to answer why? Because of policy? Policy of what, of a head in the sand like an ostrich?

Anyway, meaningful incentives encouraging conservation of energy, primarily by replacing inefficient types of energy with another type of energy with the highest primary energy efficiency—gas.

If you look at the second graph, from one unit of energy, of 100% in the electric arc, making thermal energy is only 17%. If I go with natural gas, I have 66%, with a pipe bringing in oxygen.

Ontario Power Generation or Ontario Hydro—whoever—spent \$250 million to reduce nitrogen oxides. Where does nitrogen come from? From the air. Air is 80% nitrogen and only 20% oxygen. If you use pure oxygen, you have nitrogen, you're going to have a problem.

However, I have to say one thing. I know many people in the energy sector who are afraid to talk. If you're talking behind closed doors, they'll say, “Edgar, you won't believe what is going on.” But we are not allowed to talk. I've got a family, I've got a mortgage. I don't want to get fired by opening my mouth and telling the truth.

The final point I want to say is that meaningful incentives mean helping industries.

OK, one last comment; I've got two more minutes to talk. Japan's MITI, their Ministry of International Trade: In Japan, you are not allowed to own American dollars. If you sell something for American dollars, they give it to MITI; they give you only 90% of the value and keep 10% for themselves. If you want to buy something for a dollar, you have to pay for it. However, if the photo industry is flying—right?—they sell. MITI is collecting from them and giving to the steel industry, which is in deep, and vice-versa. So it is not a free country; it is an organized, planned economy in Japan. I worked there; I built furnaces there. I built furnaces in Japan, I built furnaces in China, in Brazil, in South America and all over Europe. That gives you the sense, because Canada is a beautiful country; however, you have to have what we in Europe call collegium technicum: people who understand what they are talking about.

I am using this opportunity to somehow try to usurp and to awaken the awareness of what is going on, because there is no crisis if everybody does what he's supposed to do. Government has to come and say, “OK, is pollution allowed?” Leipzig is going to build a \$2-billion business now, because Germans are setting the standards for pollution. If you are better, you can sell them. It is a \$2-billion business, starting in January.

Anyway, I'm ready for questions if anybody has any.

The Chair: Thank you very much, sir, for a very passionate and very informative presentation. On this rotation we have Mr Arnott first, and we have about a minute.

Mr Arnott: I hope I'm not one of the people your mother warned you about.

Mr Wunsche: I don't know yet.

Mrs Cansfield: You are.

Mr Wünsche: My grandmother.

Mr Arnott: Thank you very much, Mrs Cansfield. I appreciate that.

What I hear from you is that the private sector has the drive, the innovation and the ideas. It needs to be unleashed to assist the province to deal with this problem. You've got an exciting technology that should be attractive to a lot of the steel companies in Ontario and Canada and across the world to clean up some of our problems in terms of our environment. I would certainly wish you success as you continue to advocate for your technology.

Mr Marchese: If only Ernie Eves had listened to you.

Mr Wünsche: Oh, he did. I had a personal discussion with him. You see, the point is that eventually, to answer this thing here, everybody was giving me a hand; that's all I got, just a hand. Is that enough?

Mr Arnott: No loan guarantee?

Mr Wünsche: No. However, the point is that legislators have to appoint people from industry who know what they are talking about and not to take for granted, even if I don't know, as Mr Trudeau put it, fuddle-duddle-all about it, to make decisions. It's wrong. That's why I'm trying somehow here to provoke thinking.

The Chair: Thank you very much, sir. We appreciate your presentation.

Mr Wünsche: You don't want any more questions?

The Chair: Well, quickly. We're out of—

Mrs Cansfield: Actually, it's not a question, sir, but there's a place for you to approach. The federal government has a fund called the sustainable development fund, and I will give you the name of a director you can call directly.

Mr Wünsche: That would be very appreciated, because we tried and we were told, after filling out about 75 and a half forms, that we don't qualify for it.

Mrs Cansfield: You've already gone through the sustainable development fund?

Mr Wünsche: Yes.

Mrs Cansfield: And you don't qualify?

Mr Wünsche: No, we don't qualify, because, you see, "You are not in distress. You don't have enough people so that we are concerned about your votes. We are not concerned about anything else, so forget it."

The Chair: Maybe, sir, you and Mrs Cansfield will have some discussion, or we can maybe provide some way to provide some assistance to you.

1430

Mr Wünsche: Could you tell me, sir, how is what I presented here going to be used? That's my question.

The Chair: It's been submitted to the committee. It will become part of the committee process. Every presentation that's made to committee gets reviewed and analyzed in how it might assist us in producing a better piece of legislation at the end of the day.

Ms Wynne: Amendments to the legislation.

The Chair: Amendments to the legislation. You can be sure that your input today will be considered very seriously.

Mr Wünsche: I thank you for your time. I hope that—as my grandmother used to say, God is listening; it goes into God's ear, what you are saying here. But I don't believe it.

Ms Wynne: Also in answer to that question, the whole issue of incentives and what's needed to make this happen is a discussion that the committee will have and that the parliamentary assistant will be having with the minister around the regulations and the legislation.

The Chair: Quickly, Mrs Cansfield.

Mrs Cansfield: Again, the Ministry of Economic Development and Trade will be setting up a centre of excellence. I believe it will be announced soon. That will be a place for you to apply with your new technology. Hopefully it's not 75 pages you have to fill out. That will be announced in the next while.

The Chair: We'll get it down to 10.

BILL SCOFFIELD

The Chair: Mr Scoffield is next. Welcome, Mr Scoffield. You have 15 minutes. Any time that's not used will be available for questions.

Mr Bill Scoffield: It's Bill Scoffield, retired teacher from Orono high school here, and presently organist at Trinity-St Andrew's United Church at the Brighton Speedway.

I'm very pleased to be here. I just can't help commenting on what I've just heard. It's not in my presentation, but certainly with those coal generators that the Liberals have promised to close and probably won't be closed, because we know they can't always keep their promises—I'm still behind them—why aren't we burning garbage in those things instead of coal? If we have to have pollution, has anybody thought of that?

And if OPG is too big to scare away all of the investors, why don't we go for smaller investors who don't mind somebody big mothering them? In fact, that's kind of what I'm saying in my presentation here.

Third, after hearing Mr Wünsche, restructuring looks like it just occurs on the spur of the moment. Why aren't we putting two top jobs there, one for a really good businessman and, second, a really good technologist, like Mr Wünsche obviously is? We have hundreds and thousands of those people in this province who are so busy they don't have time to talk to their elected representatives and they don't have time to play golf. They're normally up to their elbows in dirt, and they're actually working with their own workers. That's the kind of person you need at the top of Ontario Hydro, I think.

I'd like to start by reminding you that this is Orono, pronounced OH-ro-no, not Or-OH-no. You're very close to Kirby, the home of the Kirby senate, which was a source of inspiration and advice for many successful governments in the past. Nobody knows about that?

Mrs Cansfield: I've been to Kirby.

Mr Scoffield: Well, the Kirby senate was a bunch of old fellows who sat around the warm stove in the grocery store that used to be there and that Highway 115

displaced. They really did have some influence and power. I won't mention any names, because mine wasn't among them.

At any rate, thank you—

The Chair: We're all used to Kirby burgers, by the way.

Mr Scofield: OK. Thank you for this wonderful opportunity. I don't know by what stroke of luck I got invited to be here. Thanks to my employer, Andrew Mead of Mead Music, who does pipe organ service, for rearranging our work schedule so I can be here.

For convenience, I'm going to refer to the group of companies and agencies that you hope to restructure as "the utility." I have no idea why I'm here, but especially thanks to Energy Probe—I get their little e-mail every now and again—I did hear about the opportunity and applied to the right person at the right time. How many others are there, with more to offer than I possibly have, who will not have the chance? I speak on behalf of the approximately 500 ordinary citizens of medium and low income whom I call friends—hockey players, golfers, choristers and the rest—that all of you are only too familiar with and hear from every day. Many took my request for comments quite seriously when I told them I had this opportunity, and I begin by reporting some of their comments, which you've probably heard already.

Most cared much more about the effects of restructuring than about the actual act of it. That fact alone should underline the necessity for simplicity in your results; that is, in the way you go about it and what you end up with. Of course, simplicity to us means lower prices for hydro but perhaps higher prices but lower cost in order to aid conservation.

Some of the more cynical people I've been speaking to felt that dividing the former Ontario Hydro into several entities simply offered more opportunities for the government to reward its friends—very cynical, but that's what's out there.

Here are the comments that I tried to summarize for you:

(1) Many seemed to be quite upset about the high salaries of the executives running the utility and about the number of chiefs as opposed to the number of Indians. This seems to be a fairly universal perception of the utility, as it was and is, and not difficult to prove with all kinds of available numbers, which I don't have time to scratch up for you. Searches for personnel which are more open and widely advertised might produce more capable and efficient leadership. And, as I said before, you need some technology at the top.

(2) Several folk I spoke with hoped that smart meters would soon be available, and I don't mean just smart meters, but really smart meters that tell you exactly how much each appliance is using and so on. They expressed a willingness to take advantage of them and even pay for them. These have been discussed and available for a very long time. Why aren't we using them? Restructuring must produce a utility willing to plunge into new territory without such frustrating foot-dragging.

(3) One person with whom I spoke suggested that renewable energy be subsidized, as this is what is done nearly everywhere else, to encourage its production. And he compared Ontario to a Third World country. He's the man who lives in a straw bale house, by the way, and he's off grid. Does he ever care about hydro generation in this province.

(4) A former employee from Hydro stated that the training given to Hydro employees who were laid off was of such superior quality that when they were laid off, other employers were lined up to hire them. This would not have happened in a private utility in a competitive atmosphere, and I do not believe the consumers of Ontario should have to foot the bill for such an unusual amount of training, no matter how proud their bosses are of it.

(5) The most distressing reply I had came from a successful and busy entrepreneur when I told him that I hoped to unload on this committee my own dissatisfaction with the reward-your-friends approach to running our utility. He said that most on the committee would just shrug their shoulders and say, "So?" This kind of cynicism was thinly veiled in many of the people with whom I spoke before I came here.

Now I continue with some comments from my own mind. I also want to say, although I mentioned thanks to Energy Probe at the start, that I do not agree with them on the mothballing of nuclear. I think that's something that needs to be developed and used to the fullest and with great care, even though I live in Port Hope, where we have that waste problem. There are ways of dealing with it, not like we did at Bruce, where the stuff was burnt without a licence.

My personal feeling of deep gratitude for the excellent electrical service we all enjoy has come to be overshadowed by grave doubts about the future of the service at reasonable cost. We've got a silver-plated service that's at a gold-plated price. It seems that one of the main reasons for this high price is that our leading politicians—and so on. Is this merely a perception, or can it be easily established? Considering the amount of hydro power available in this province, the cost for consumers should be much less than it is, or at least the cost to the utility. I hope your restructuring will redress that problem in a few ways.

First, there can be no political appointments of any kind. Surely there is a way to set things up like the CBC or LCBO so that political interference is not possible. If there must be appointments, why can't we give more priority to someone like the Lieutenant Governor to make them, or someone even more impartial, like a group of clergymen or something? The salaries do not need to be so high. If you have a huge competition and advertise the jobs you've got available, highly qualified people will come out of the woodwork, much more qualified than the people you've had in the past to run your utilities.

Second, the Auditor General must have the authority to include in his reports all the various branches of the utility which are government owned.

Third, the efficiency of the utility overall and in its branches should be carefully measured against large private utilities elsewhere, and part of their public relations literature. Howard Hampton says that when the people own the utility we save the 20% that would have to go for profits. What he always misses is the fact that publicly owned businesses very often, almost always, are terribly inefficient and the 20% savings are quickly eaten up by 100% inefficiency. The public part of the utility must be much more efficient, and demonstrably so.

Above all, I believe restructuring should create an entity which aggressively pursues new and green generation. Except for very large-scale hydro and nuclear electricity—we have enough big companies in this province—new generation should definitely be private, green and small. It should exploit every possibility. Financing for it should be available at minimal rates from the utility. The rewards for producing it should be significant. Small producers, even individual homeowners, should be encouraged to invest and produce, using the smart meter which runs in reverse, so the amount they receive per kilowatt hour is the going retail rate.

1440

Every south-facing roof in the province should be covered with solar collectors owned by the homeowners, able to borrow the capital from the utility, able to repay the loan on their bills over long periods—and, please, better solar collectors than we have now. We have the technology to improve them and lower their cost. If we did a lot of them and made them here, they'd cost a lot less. I know it sounds like communism to some degree, but there are ways to keep it in private hands.

Silent and effective wind collectors, not the big ones we presently have, should be on every other roof. We need a new technology here. Nobody has thought of it yet, but surely we can develop that with the brains we've got in this province. Some kid with a science project in grade 7 can probably take some Styrofoam and make those little skittle balls they have in a game in Harry Potter, stick four million of them on your roof, and suddenly each one is putting out a couple of millivolts and we've done a lot. Maybe the whole thing only costs a few hundred dollars, but you get a little bit of hydro from it. Your roof doesn't look as nice as a cedar roof, but it does the job.

Every home should have its own fuel cell for power production, and solar and wind collectors can produce the needed hydrogen, I hope, on site at our homes as the technology develops. Also, hydrogen can be produced by larger sun and wind facilities, remote from built-up areas—and there are lots of those. If you have to have big windmills, please put them up around James Bay where we don't have to hear them. Probably one of the easy ways to get the energy from there down to here is in the form of hydrogen. Fuel cells in our homes certainly makes a lot of sense, and I'll buy mine when you help me finance it.

There is no reason why solar-collecting capacities of parking lots and roads should be overlooked. We don't even think about stuff like that. The technology to do this

can be developed by a restructured Hydro. Municipalities should be collecting compost in specially coloured bags or something and using the methane to produce electricity in small generating stations or at Wesleyville, for goodness' sake. Other burnable materials should be incinerated, the heat captured to make power and the by-products of combustion completely removed or utilized in other ways. Think of the value of having millions of small power sources, by the way. The new organization should be structured to actively grow these sources. It's so unfortunate that this kind of thing has not been happening since the time of Adam Beck, who we know created the monster that did a very good job but didn't create a future for us.

What about the required financing and advanced technology to realize these things? These are two important items I believe restructuring should address. The minister did not include most of the new generation that I've mentioned as objectives for Bill 100. There is no reason why we shouldn't look at them now. This is the opportunity to set up a utility that will accomplish what was only dreamt of earlier. Accomplishing the goals of the Kyoto accord with a forward-looking utility should be a piece of cake.

Financing for small projects is often difficult, whereas government and its branches can borrow quite easily. When you find the entrepreneur or the small guy who is willing to go out on a limb and borrow money and do something, I think you ought to be there to help him in a big way, and it should come right from the utility. For instance, if solar collectors, smart meters and fuel cells are going to show up at my house, it will only be if I can borrow the funds easily and cheaply. Landowners with small amounts of hydro power available will be much more inclined to consider developing it if they know financing is available. Restructuring needs to be designed to promote advances of all kinds through aggressive financing of customer improvements and efficiencies and new green generation. I sure like the idea of buying a new freezer with some help from the Ontario government.

Technological advances to make fuel cells, wind and solar collectors, hydrogen production and storage units, methane generators and so on, all possible on any scale and in any quantity, should be quite feasible within a restructured utility which has a really good research and development branch, just like most large industries. I know it was there before, but it seemed to be stuck on big hydro.

The hardware should be built here, not by friends of the government. For instance, if smart meters are going to be sold here on a time-purchase plan, they should be built here.

The Chair: Sir, you have about one minute left.

Mr Scofield: In conclusion—I'll skip down to there:

(1) The cost overruns of the nuclear facilities are disgusting and shameful.

(2) The sale or lease of publicly owned facilities to private companies, as has happened with the 407 and Bruce nuclear, is immoral and should not recur.

(3) The perceived lack of integrity and hard work at the top of the organization needs redress. This may only be perceived, I don't know, but a good example shown by frugal superiors might improve the attitude of those below. How many workers on the Darlington project have revealed to me that stealing from the site was considered normal because it was a government job or the amount was insignificant or they needed to make up for the huge difference in salaries between the top guy and the bottom guy? These attitudes can be pointed toward oblivion by the restructuring in your hands. I leave you to read the rest when you wish.

The Chair: I want to thank you very much for your presentation today.

Mr Scofield: Thank you for the opportunity.

Mrs Cansfield: Sir, just before you go, some of the ideas that you have are quite good. I just wanted to assure you that they will be taken back through to the ministry, especially around some of the opportunities for innovativeness on wind and such, OK?

The Chair: I'm sure we could have this discussion.

HEARTHMAKERS ENERGY COOPERATIVE

The Chair: I want to welcome Mr Hart, please, the chairman of Hearthmakers Energy Cooperative.

Rev Brian Hart: I wish to thank the committee for allowing me to speak to the matters pertaining to Bill 100. I was really enjoying the few minutes that I was here to hear people from across the community speaking to you.

I'd like to address four matters today: namely, that Bill 100 reflect, in all its aspects, societal values for promoting the well-being of people's health and the safeguarding of the environment when regulating the electricity market; that Bill 100 mandate the Ontario Energy Board to promote energy conservation and cleaner energy sources; that it support co-operatives for local ownership of renewable energy technology; and that it utilize advanced renewable tariffs or minimum price standards as an acceptable mechanism for reaching provincial renewable energy goals.

My name is Father Brian Hart, and I am the chairperson of Hearthmakers Energy Cooperative. Hearthmakers is a co-operatively-owned and community-based organization that works to provide renewable energy and environmental services and products to its members in the southeastern Ontario region, including the counties of Hastings, Prince Edward, Lennox and Addington, Frontenac, and Leeds and Grenville.

Hearthmakers Energy Cooperative was incorporated as a non-profit co-op in 1999, and our efforts seek to bring to Ontario's energy sector true democratic decision-making through a co-operative structure. We labour hard to educate the members and the general public about the issues of the day. In fact, before I came here, I was very pleased to be able to tell a retreat group that I was coming to talk to the committee. They didn't

know anything about Bill 100 and were very pleased to learn about that and pleased that the government was listening to the people of Ontario.

Currently, Hearthmakers is working with municipalities and homeowners, faith communities and businesses alike to help reduce their dependence on fossil fuels by increasing the energy efficiency of their buildings and appliances and by utilizing renewable energy technologies whenever and wherever it makes sense to do so.

Hearthmakers Energy Cooperative applauds Bill 100 as a good first step. However, I would like to address some shortcomings that are inherent in Bill 100 that do not make easy the work of either Hearthmakers or similar non-profit co-operatives.

To begin with, Bill 100 speaks to the good business sense of having a reliable, cost-effective, adequate supply of electricity. This is laudable. Yet good governance of our electricity sector would do well to enshrine positive societal values in its purposes, for in the end, we are talking not only about the electricity system and markets but also about people who use the power and what they expect from their government.

Like growing numbers of Ontarians today, I suffer from chronic bronchial asthma. When we are experiencing smog days in Ontario—and I think today we are—I am aware of it before I even get out of bed in the morning. The Ontario Medical Association is warning that air pollution is a public health crisis in Ontario. In fact, air pollution kills 2,000 people each year in this province, according to the OMA. Thousands more suffer from respiratory ailments such as asthma and bronchitis, which are associated with the pollutants in the air. In the face of this reality, Hearthmakers' membership and many Ontarians are concerned about the negative effects on our health and on our environment created by electricity generation using fossil fuels.

Some of the societal values, then, that we're seeking to be identified in Bill 100 are the safeguarding of people's health, especially those who are suffering because of pollution caused by our dependence upon fossil fuels, and the safeguarding of a clean environment for Ontarians today and for generations to come through the reduction of our dependency on those fuels.

1450

Hearthmakers recommends that Bill 100 be amended to identify those social values of a concern for the health of the people of Ontario and the safeguarding of their environment, and not just the business values that are there. The inclusion of these values would support the efforts of the Ontario Ministry of Health and the Ontario Ministry of the Environment.

Hearthmakers Energy Cooperative is aware that our dependency on fossil fuels can be diminished in two ways—and we've heard many of them today and I'm sure you've heard many more: promoting energy conservation, and promoting the development of renewable energy sources. So our co-operative promotes energy conservation in the region we serve. We are the licensed

provider of Natural Resources Canada's EnerGuide for Houses for our region. As a not-for-profit organization, we are encouraging thousands of homeowners to make their homes and appliances more energy-efficient.

As part of the commitment to helping promote sustainable communities, Hearthmakers has been instrumental in prompting the city of Kingston to commit to energy efficiency and renewable energy, particularly that of wind power. Hearthmakers has covered the costs of auditing most of the buildings owned by the city of Kingston, and we have succeeded in engaging that municipality and other small towns to commit to reducing their dependency on fossil fuels by retrofitting their buildings. Furthermore, we have trained dozens of new workers in this field, creating energy consultant firms, and provided much of the needed public education in this area through media releases, workshops and presentations. But our work in this area is not made easy by Bill 100 in its present form.

Hearthmakers applauds the creation of the Ontario Power Authority and its mandate as proposed in Bill 100. The Ontario Power Authority will contract for new electricity supply and promote energy conservation. The proposed OPA is a crucial element of a pragmatic and cost-effective strategy to promote energy conservation and cleaner energy sources.

However, Hearthmakers is concerned that Bill 100 proposes to repeal the OEB's current legislative mandate to promote energy conservation, energy efficiency and load management with respect to the use of electricity. This proposal is inconsistent with the government's policy objectives, since the OEB is the prime regulator of the Ontario electricity market, and it can and should play a pivotal role in guiding Ontario toward a culture of conservation. Repealing the OEB's mandate to promote energy conservation is contrary to the public interest, since the aggressive and cost-effective promotion of energy conservation and energy efficiency is the only option that can simultaneously, first, reduce the energy bills of Ontario's residential, commercial, institutional and industrial consumers; second, maintain and increase the competitiveness of Ontario's industries and create jobs; and third, protect public health and the environment by helping to phase out Ontario's coal-fired power plants.

Hearthmakers recommends that Bill 100 firmly establish the Ontario Energy Board as the prime regulator of Ontario's electricity market with the following mandate: to promote energy conservation, energy efficiency, load management and the use of cleaner energy resources, including alternative and renewable energy sources, in a manner consistent with the policies of the government of Ontario; to—and these other two are already mentioned in the bill—protect the interests of consumers with respect to prices and the adequacy, reliability and quality of electricity service; and to promote economic efficiency and cost-effectiveness in the generation, transmission, distribution, sale and demand-side management of electricity and to facilitate the maintenance of a financially viable electricity industry.

With respect to promoting cleaner energy sources, Hearthmakers Energy Cooperative is working in a private-public, not-for-profit joint venture partnership to install a 1.5-megawatt wind turbine in the Kingston area. We're also working to install a 36-megawatt wind farm on Wolfe Island. This partnership has been made possible by the pioneering work of Hearthmakers and other co-operatives like it. At the end of the day, if we should be successful, people in the Kingston area can own asset shares of some of the wind turbine through that co-operative. The co-operative members would share in the revenue from the sale of electricity to local industry and households. Economists say that this money will remain within the community, circulating up to seven times, creating jobs and supporting business, before eventually leaving the community.

This turbine represents the best of distributed generation, reducing power losses in the transmission system, strengthening local supply and increasing public commitment to, and knowledge of, conservation practices and other renewable energy modalities.

Our turbine isn't up yet. We looked for support for projects of this kind in Bill 100, but it's hard to find.

Bill 100 does not explicitly say that locally owned generation should be encouraged or that there is any value for the benefits that would result from that kind of development.

Renewable sources of energy such as wind and solar, low-impact hydro and biomass offer the province and its citizens the benefit of a more sustainable and more resilient electricity system—one that is less susceptible to supply disruptions.

Pollution-free sources of renewable energy also offer a cleaner and healthier environment while meeting our needs for electricity. Further, dispersed or distributed renewable sources of energy are less vulnerable to sabotage.

Bill 100 takes none of these benefits into account. There are only occasional and fleeting references to "cleaner" sources of electricity, but there are no references to any values other than adequacy of supply and reliability. Hearthmakers Energy Cooperative recommends that Bill 100 specifically recognize and value the system-wide benefits that dispersed generation and local co-operative ownership would have for renewable energy technology.

Bill 100 calls for the setting of renewable portfolio standard goals but doesn't spell out the mechanism for reaching this target. Likely, the ministry is thinking of more of a request-for-proposals process, a complex and costly tendering system—that's what we have found, anyway. It would be helpful to have Bill 100 state what mechanisms can be used to reach these targets for renewable energy.

Hearthmakers recommends that advanced renewable tariffs or minimum price standards, as are in place in Germany and other EU countries, be explicitly stated in Bill 100 as an acceptable mechanism for reaching provincial renewable energy goals.

Advanced renewable tariffs permit the interconnection of renewable sources of electricity with the grid and specify the price paid for the electricity generated. A public policy process determines a rate to be paid for every kilowatt hour generated by a renewable source of energy. This rate would vary from one form of renewable energy to another.

In advanced renewable tariffs, economists and engineers calculate the prices per kilowatt hour needed for various technologies to produce a profit under varying conditions. They then report their findings to the government, where the final price is determined by a transparent political process. In this manner, prices can be tailored to technologies, regions and sectors of the economy.

In conclusion, I would like to thank the committee for the opportunity to speak at this time. Hearthmakers Energy Cooperative and its sister energy co-ops are committed to working with our province to make Ontario's energy future bright, clean, efficient and sustainable.

The Chair: We have two minutes left. Mr Marchese, you're first up in this rotation.

Mr Marchese: You mentioned something interesting that no one has talked about, actually, quite apart from the other things that I think many of us would agree with and others have spoken to, in terms of social values and how we enshrine them. You talked about the complex tendering system. I don't think anybody talked about that during my three days of hearings. I suspect that the more professional, bigger organizations can afford it and go

through it. It's not a problem. But the smaller groups and those who don't have many resources, ie full-time staff and/or money—probably do find the tendering process complicated.

Rev Hart: It is.

Mr Marchese: Can you speak briefly to that, in terms of what you think is complicated? Is it that the forms are too long, or is it too difficult to explain, or what is it?

Rev Hart: It's all of that. There are a great deal of applications that have to be made and legal consultation that has to be had. There have to be consultations with connectivity. Many times you have to have everything ready and done well in advance just for the submission. We don't have those kinds of resources available to us. I think there's a better system, and that is what they have in Europe, in bringing forward that kind of subsidizing of the price of power.

Mr Marchese: Do we have your submission?

The Chair: It's going to be copied. We have one copy. We'll provide copies for all members of the committee.

Thank you very much, Father. We appreciate your presentation today.

Rev Hart: Thank you for your work.

The Chair: I would certainly like to thank everybody who has taken the time today to make presentations to members of the committee and staff here in Orono today. It will help us as we proceed with our deliberations down the road.

The committee adjourned at 1455.

STANDING COMMITTEE ON SOCIAL POLICY

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STANDING COMMITTEE ON
SOCIAL POLICYCOMITÉ PERMANENT DE
LA POLITIQUE SOCIALE

Wednesday 15 September 2004

Mercredi 15 septembre 2004

The committee met at 1008 in room 151.

The Chair (Mr Jeff Leal): I'd like to bring the standing committee on social policy to order this morning. Marilyn Churley, please.

Ms Marilyn Churley (Toronto-Danforth): I'd just like to take a moment before we begin the proceedings to pay tribute to a long-standing researcher in our caucus, Fred Gloger. He died suddenly while on holiday last week, at the age of 43. I particularly want to pay tribute to him in this committee in regard to this bill because all my copious notes are from Fred Gloger. He prepared diligently and into the wee hours, I understand, so that in his absence the members carrying this bill through would be well prepared.

I think it's safe to say that behind every successful politician there's a great researcher. I know the legislative departments here know how bright and thorough Fred Gloger was and what an incredible loss he is, not only to our caucus but, in many ways, to all of Ontario, because of his many years of public service. He was an incredibly bright, quirky, funny, smart man who will be very sadly missed by our caucus. We're just reeling from the loss at the moment. I just wanted everybody to know that as I make my points here today in this committee, Fred Gloger's thinking is responsible for most of those thoughts.

Mr Ted McMeekin (Ancaster-Dundas-Flamborough-Aldershot): Thank you, Marilyn, for that sharing. Fred was one who understood that public service was not an option; it was an obligation. He fulfilled that, I think, every single day that those of us who were privileged, even in passing, to know him. I appreciate your words and offer condolences to you and all your caucus colleagues and, of course, Fred's family as well.

I wonder, Mr Chairman, if it would be appropriate—and perhaps Ms Churley could advise us on this—to send a note to the family expressing our appreciation for Fred's work over the years and the fact that we recognize, as Marilyn has suggested, that he is certainly here in spirit today.

We share your grief and pain, and also your admiration for Fred's life and the commitment and the great work he has brought to this place for all these many years.

The Chair: Mr McMeekin, I was going to suggest to the clerk that we take the comments that have been expressed by Ms Churley and you, Mr McMeekin, to

make sure they get to Fred's family. I'd certainly offer the opportunity for Mr O'Toole.

Mr John O'Toole (Durham): Just to be on the record, certainly our caucus would support the general comment of the appreciation of all the researchers. More specifically, the tragedy of someone's death is always worthy of note and expressing sympathy to the family and thanking them for the years of service.

The Chair: Thank you very much, Mr O'Toole.

ELECTRICITY
RESTRUCTURING ACT, 2004LOI DE 2004 SUR LA RESTRUCTURATION
DU SECTEUR DE L'ÉLECTRICITÉ

Consideration of Bill 100, An Act to amend the Electricity Act, 1998 and the Ontario Energy Board Act, 1998 and to make consequential amendments to other Acts / Projet de loi 100, Loi modifiant la Loi de 1998 sur l'électricité, la Loi de 1998 sur la Commission de l'énergie de l'Ontario et apportant des modifications corrélatives à d'autres lois.

The Chair: The committee will now begin clause-by-clause consideration of Bill 100, the Electricity Restructuring Act, 2004, in the province of Ontario. Are there any comments, questions or amendments and, if so, to which sections?

Ms Kathleen O. Wynne (Don Valley West): Mr Chair, you're going to call out the section that we're dealing with?

The Chair: The clerk has just instructed me. We have a package of collated amendments.

Ms Churley: And you're number one.

Ms Wynne: Exactly.

Mr McMeekin: It's a question of incorporating all of the parties' amendments.

The Chair: That's correct.

Mr O'Toole: Mr Chair, just for clarification or a point of order: I'm just wondering, having read the bundle here and having looked at the covering page—there were some amendments or amendments to the amendments that were tabled that were late. They did not meet the scheduled date, which was the 10th. Are they in order and under what authority were they in order?

These refer to the memo from Anne Stokes, September 14. The copy of the amendments that I have myself were on government motions 7, 19, 21, 22, 23, 46, 47,

48, 49 and 88. I think they've been incorporated into our bundle. That's my understanding, at least, from my quick review this morning.

The Chair: Mr O'Toole, I've consulted with the clerk and he indicates to me that the amendments that were submitted past the deadline are in order.

The Clerk Pro Tem (Mr Doug Arnott): The committee had set itself a deadline of Friday for receipt of amendments for administrative purposes in order to have collated sets distributed to members in advance for their review. The wording of the subcommittee report, as adopted by the committee, was that amendments should be filed by that deadline on Friday. The word "should" indicates that amendments could be received after that date and, indeed, even today.

Mr McMeekin: Mr Chairman, just another house-keeping item—we received some wonderful support material, by the way, and the Ontario legislative library summary of recommendations that we received was quite a hefty and a very good summary, by the way, of the—because I was going through some of my own summary notes, and they were captured. I just want to ensure for the record that this summary in fact will be part of our report which will be ultimately submitted. I think there are submissions and recommendations of some 147 different participants. Can I have some clarification on that?

The Chair: Mr Clerk, would it be appropriate to have the information from the legislative library incorporated in?

The Clerk Pro Tem: The summary of testimony would be part of the committee's record, as an exhibit of the committee.

Mr McMeekin: Part of the official record. Great. Thanks.

Mr O'Toole: I also want to just clearly put on the record thanks to Anne Marzalik as well as Kevin Dwyer and Anne Stokes for the great response to the questions that were raised by committee members during the hearings—because they were very important. They were dealing with such things as nuclear waste, smart meters, the report on the success of the CANDUs in China, as well as health issues in Port Hope.

There has been a lot of research here. It's a very important public policy discussion. As we said earlier in our comments, I think that without research, you could not adequately address the significant issues we're dealing with.

Ms Wynne: I'd like to move that clause 1(a) of the Electricity Act, 1998, as set out in section 1 of schedule A to the bill, be struck out and the following substituted:

"(a) to ensure the adequacy, safety, sustainability and reliability of electricity supply in Ontario through responsible planning and management of electricity resources, supply and demand."

What this does is it responds to comments from many presenters who emphasized the importance of incorporating sustainability as a key objective in Ontario's electricity system. We heard that, and so we've added the

goals of safety and sustainability to the overall purposes. I think that is very much consistent with what folks told us they were looking for.

The Chair: Discussion?

Mr McMeekin: Did you say that there was a sequential package of the resolutions?

The Chair: Yes. Do you not have it?

Mr McMeekin: I don't have one.

The Chair: Sorry.

Ms Wynne: I just want to add the comment that we really believe that sustainability is a broad term. It includes environmental, social and economic sustainability. That's why that word has been used as one of the objects here—because we think it's the broad, overarching term that needs to be in place.

Ms Churley: Just looking at these amendments, I just wanted to ask a question, because I've been parachuted into this role rather quickly here. If this particular amendment passes, it will not in fact cancel out my amendment, will it? Mine deals with the same subject matter, but it deals with clauses 1(b) and (d) of section 1, schedule A, to the bill.

Ms Wynne: You can still put yours.

Ms Churley: It's just that I've been blindsided on a few occasions and told—I always like to check—"Well, this particular amendment cancels yours out."

The Chair: Any further discussions? All in favour of that amendment? Carried.

Ms Churley, now we go to you.

Ms Churley: I move that clauses 1(b) and (d) of the Electricity Act, 1998, as made by section 1 of schedule A to the bill, be struck out and the following substituted:

"(b) to promote the following in the following order of priority, and in a manner consistent with the policies of the government of Ontario,

(i) energy conservation, efficiency and load management,

(ii) the use of renewable energy resources; and

(iii) the use of clean energy resources."

1020

I will speak briefly to this motion. The amendment to the purpose clause of the act would make it clear that promotion of conservation and renewables must have priority over other ways of meeting Ontario's energy needs. Indeed, it does go further than the previous Liberal government amendment in its description, because although it is true that sustainability can encompass many facets, I think the reality is that it's important in a bill to spell out very clearly what sustainability means and what the priorities are. Certainly from many of the deputants—and I did sit in on some of the hearings—it was made very clear that it was important to make sure those were listed as major priorities and would therefore set the tone for the restructuring of the whole electricity sector. I hope you'll support that.

The Chair: Discussion?

Ms Wynne: I just want to be clear about why we won't be supporting this amendment. I think the main thing is that we're concerned about all of these things.

The very language in this bill around the conservation bureau and the initiatives we've already taken demonstrate that, for the first time in Ontario for a number of years, conservation is on the radar screen; we are moving toward renewable energy resources. We're concerned about all of these things, and I think the idea that they would be in some sort of order of importance is a problem for us. It ties the hands of the government and the bodies we set up in terms of dealing with all of them equally and simultaneously.

The other issue is around some of the definitions: clean energy, for example. Those of us who have sat in on these hearings know that clean energy has been defined in a whole bunch of ways. It's not a precise term.

For those reasons, we're not going to be supporting this amendment. We believe the bill addresses these issues and that our initiatives going forward will address these issues.

Mr McMeekin: I really struggled with this one, because I agree with my esteemed colleague opposite that a number of groups—in fact, by my calculation, about 40% of the 146 or so groups who spoke to us did mention in one incarnation or another the various aspects here. In fairness, I think it's appropriate to point out that different sections of the act do indeed put some very pragmatic wheels under all the components that are listed. So while there is no disagreement with respect to the issues mentioned—in fact, pretty positive agreement, at least on my part and I suspect from colleagues on this side of the table—there is a very practical problem with the resolution, in my opinion, when the preamble is “to promote the following in the following order of priority.” One of the difficulties that I think even our friends have—and we have many who promote alternate energy—came out over and over again in the hearings when we talked about—what's the term?—alternate energy credits—

Ms Wynne: Advanced.

Mr McMeekin: —advanced renewable tariffs, and there were some other European terms, is the simple reality—and Ms Wynne shared her concern—that this would tie our hands in being able to deal with things on an equitable basis. I'm worried it also would tie our hands in terms of being able to deal with things on an inequitable basis in this respect: The issue of efficiency being first would, I think, become a kind of standard knee-jerk argument from those who don't want to advance alternate energy. It would take precedence because it's to be inflicted in order of precedence in a way that would preclude us ever getting to (ii) and (iii). I just want to indicate that. I think it's pretty clear that there is going to need to be a government commitment to alternate energy. There may need to be some provisions put in place: renewable tariffs or whatever. As I understand it, there are even some conferences coming up that will be exploring that specific concept.

So we need to do a lot more work on that, but I sure as heck wouldn't want to tie the hands of those of us who believe passionately in the alternate energy side and who know, upon a full examination of the bill, that this is

reflected in other ways than by going down this route and actually making what some might assume to be excellence become the enemy of the good. That's why I intend not to support this particular resolution. To my alternate energy friends out there and to the many who made presentations, I want that rationale to be part of the record.

Mr O'Toole: I think, at the begin of this, it's important for us to stake out our policy interests and priorities. I think if you look at the explanatory note, I'd almost deem this motion to be redundant, actually. If you look at the first page, the explanatory note covers almost all the elements.

Furthermore, if you look at the schedule A we're dealing with, it does encapsulate conservation, efficiency and load management—all of them—in 1(a) through (j). I don't have a problem in supporting it. I'm surprised the government wouldn't show some form of acquiescence or willingness to reach out.

So I'll be supporting it, and I'll also be asking for a recorded vote, because it's that willingness to signal early on that we need to establish that we all have the same goals. We want conservation, we want load management, we want efficiencies, renewable resources and use of clean energy technology. All of those are encapsulated both in the explanatory note as well as in the section we're dealing with.

It's kind of redundant in a way; it just orders them somewhat differently. If that's a priority, then I'm surprised the government isn't prepared to accept this amendment. Again, I'm asking for a recorded vote.

Ms Churley: Having listening carefully to the, in some cases, contortions government members are making as to why they don't want to support this amendment, I feel compelled to speak again.

You will notice, if you read the NDP amendments, that we make it clear that energy conservation is our first line of defence against future blackouts. In fact, we all know from the committee hearings as well that it's pretty blatantly clear now that we're running out of fossil fuels, combined with the cost of building new power plants and having that as one of the major priorities, and the costs down the road and all the other reasons the committee heard from many of the deponents.

I hope that people did read *Power for the Future* by the Pembina Institute—very good research. Certainly the NDP drew quite a lot from that report, as well as from some of the other excellent documents that came before us. The arguments made by the Pembina Institute and by others are just so compelling in terms of the need now to put conservation and efficiency as the first line of defence.

I want to say very clearly that I believe if we don't do that and set the table with that being the main goal, then it won't happen to the extent we need it to happen. Unfortunately, sometimes it takes a crisis like in California—after their big blackout and prices going through the roof—to really move on this. So I think it has been made very clear that we need to set the table, that this is

the priority. Of course, other things have to be done as well, but we're not doing nearly enough, and I feel that this bill is not doing enough in terms of the need to move much further than this bill if these amendments on conservation and efficiency aren't accepted.

Ms Wynne: I'm not going to belabour this, but I think we need to be clear, in terms of staking out positions early on, that what we are trying to do with this legislation is set in place a framework to deal with all the issues that Ms Churley is raising. I think it's a significant piece of legislation from that perspective, and we don't want to do anything that's going to tie the hands of the bodies that we're putting in place to deal with all those issues, and that's why I won't be supporting this amendment. But that does not take away from all of our concerns, as Mr O'Toole said, about the issues of keeping the lights on and keeping people safe and healthy in this province. I think that's a concern that's shared on all sides of the House.

1030

Mr McMeekin: I appreciated the words of Mr O'Toole; I don't always appreciate Mr O'Toole's words. But in this case—at least if I understood what he was saying—he indicated that he thought this resolution, given other reflections in the bill, was redundant. I think he said that. I think he then said he was going to support it anyway, but that's another issue.

Mr O'Toole: It hasn't been ruled out of order.

Mr McMeekin: That may be something you want to do. I understand the reason to emphasize it. Again, I just didn't like the sequential priority setting. If it had been worded differently, maybe it would have been doable.

Ms Churley: Just one more comment before we move on, because we have a lot of amendments and we'll have other opportunities, believe me, to discuss this important issue: I would say the purpose of this amendment is to some extent to tie the hands of the authorities in charge so they will be forced, far more than the rest of the bill allows without these amendments, to focus on conservation and efficiency. I make no apologies for that. We need to, at this stage, tie the hands of certain authorities so the focus will be more on conservation and efficiency instead of new nuclear and clean coal and all kinds of other things. Obviously some of these things have to be looked at—although not nuclear or coal. That's why it's there: to force us, collectively, and the authorities to have no choice but to do far more than we are doing to promote conservation and efficiency.

Mr Khalil Ramal (London-Fanshawe): First I want to thank Ms Churley for her honesty, talking about tying the hands of authority, particularly the government's. We are facing a problem at the present time, and hopefully we will eliminate that problem in the future by implementing Bill 100, which can deal with the issue of support for the people of this province. I just want to be on the record as saying that we are in support of energy conservation, renewable energy and clean energy, but as my colleague mentioned at the beginning, it's no priority. We are against it not because we are against this concept

but because it's tying the hands of the government in order to implement the whole thing. That's why I want to be on the record as telling you that we are in support of clean and renewable and efficiency and delivering a good service for the people of this province, but we are against, as my colleague mentioned at the beginning, tying our hands in order to achieve what we are going to do.

The Chair: Any further discussion?

Ms Churley: Recorded vote.

Ayes

Churley, O'Toole.

Nays

Craiton, McMeekin, Ramal, Wynne.

The Chair: The amendment is lost.

Mr O'Toole, you're up next.

Mr O'Toole: I move an amendment to section 1 of schedule A of the bill, clause 1(f) of the Electricity Act, 1998.

I move that clause 1(f) of the Electricity Act, 1998, as set out in section 1 of schedule A of the bill, be struck out and the following substituted:

“(f) to protect the interests of consumers with respect to prices and the adequacy, reliability, safety and quality of electricity service.”

The Chair: Discussion?

Ms Wynne: The only comment I want to make is that as one of our proposed amendments we've already added “safety” to the purposes section. For that reason, I won't be supporting the amendment.

Mr McMeekin: The whole bill is about adequacy, reliability and safety, as my colleague has indicated. What is actually meant by “quality of electricity service,” I'm not sure. I need to ask Mr O'Toole: When he talks about protecting consumers with respect to prices, is that in the context of consumers paying the real cost of production or is it in the context of some kind of capping provision or arbitrary intervention perhaps not contemplated in the bill, in the market? Where is he coming from there? While we all want to be on the side of the angels to protect consumers against anything that's going to cost them money, I think there's a broad-based recognition through all the presentations that the cost of energy needs to be reflected as a true cost rather than some artificially arrived-at cost that builds on a stranded debt of some \$38 billion-plus. Even when the cap was put in place, it was discovered down the road that it had added another \$1.4 billion in cost to the stranded debt.

I thought there was an emerging general recognition that we didn't want to redo that, so some clarity on what is meant by protecting prices—and I think that's true. I think the general concept of protecting consumers is in fact enhanced in the act and covered off some. As one who speaks to redundancy, I wonder if there are any

further comments on that particular aspect of the amendment.

Mr O'Toole: I would say that really, and Ms Wynne has pointed it out, what I think is responsible and also respectful, is the fact that they must have read our amendments, which I give them credit for. The point I'm making is that we have added the word "safety," which was omitted in the act initially and has been corrected by their amendment, their afterthought.

The issue we'll be driving here is that there is a regulated price—this is a regulated market—and the price is yet to be determined. The public is waiting to see the real price of electricity despite the broken election promise. During the election, the government promised to maintain the price freeze while the market stabilized on the supply side. Right after the election they increased the price of electricity to consumers without any warning. It's in that regard that I believe that a price for the residential consumer is going to be set, or at least they've set a new number. I'm not sure what the new number will be; I'm sure they will increase that price again—the 4.8 cents and the 5.3 cents that you've changed from 4.6 cents per kilowatt hour.

I don't believe that we have the final answer on price yet. In fact, the only thing I see is higher prices for consumers. I think this is going to be our driving message: that residential consumers, who consume about 30% of the electricity in Ontario, are price takers. It's an essential product, an essential commodity that they use to heat their homes, cook their food and stay healthy. Whether they're on a ventilator at home or whatever, there are certain restrictions here with persons' abilities to conserve.

We're for conservation. I'm not sure that smart meters, as I currently understand it, are the tools. Price certainly is a signal that needs to be part of that equation. We'll be stressing price.

I would ask for your support on this, because we have taken the time to read the bill and inject into this one clause, (f), the word "safety." The rest of it is already there. I won't say any more. I ask for your support, and I ask for a recorded vote.

Ms Churley: I have just one comment on this particular amendment, because we got into the whole pricing issue. We must remind ourselves here that after the Minister of Energy stood up in the House and put out a press release about getting the government out of setting the rates for electricity—he's taking the politics out of it. We have to remember that the government is no longer bound by that, to turn the rate-setting powers over from cabinet to the OEB. The bill provides that rates will continue to be "set by regulation"—I'm quoting here—until a "day prescribed by the regulations." This applies to low-volume and designated consumers. So in fact, despite what the minister said at the day, we don't know; it seems indefinite to me. "Could it be until after the next election?" a cynic might ask. But that is the reality: that the government, through this bill, will still be able to and will continue to set the prices.

1040

The Chair: Ms Wynne, please, and then Mr Ramal.

Ms Wynne: I've made my point about this amendment, which is that we've already put safety into the purposes section, and I think that deals with the issue that Mr O'Toole has raised.

But he raised some issues that go beyond the amendment, and I think it's important for us to be on the record saying that our plan includes a stable annual rate plan. Mr O'Toole's party, Mr O'Toole's government, put small consumers on the volatile spot market. So I think it behooves us to say that we're trying to move away from that. We're trying to make this a more stable situation for citizens in Ontario.

The other issue is that we're regulating the price of OPG's baseload assets. So I think that it's important to bear that in mind as we go forward, and I think we should move on.

The Chair: Mr Ramal?

Mr Ramal: That's OK. She raised my issue.

Mr O'Toole: Hopefully in conclusion, I would put a question to the government, to be clear to the people of Ontario: If we are to expect price increases, please give us notice. The consumer today has no tools to respond to price, outside of shutting down the fridge or the stove or the furnace. If you are going to upload or download on to the consumer the price of smart meters, which are in the range of \$400 to \$800, plus the local distribution rate increase, plus the electron rate increase, plus the cost of OPA—the new layer of bureaucracy—consumers of Ontario need some certainty. Right now, they're price takers, and you as a government have done nothing but increase the price. I'll be harping on this all during it, because my first instinct and first interest—and it should be yours as well as government members'—is to protect the consumer at some price threshold, whether it's 800 kilowatts or 1,000 kilowatts. I think the price thresholds are wrong for the residential consumer.

For the spot market and the persons in the larger consumer market, they need to operate in a marketplace where there are no government subsidies. Government subsidies, to me, are wrong, in terms of the larger consumers, but it is an economic tool which I'll be making. It has been made to this committee before. The large consumers of Ontario are part of the economy of Ontario, and government policy will interfere with the regular market's conditions.

I can tell you, there's a lot of space left in this bill that leaves the consumer on the hook for higher costs for electricity on an essential commodity in their homes.

So Ms Wynne can say as she wishes. I leave you with the question: What are your expectations for price increases for consumers on the residential side? What does the future hold for them? Higher prices. There's no other choice that I can see.

Mr McMeekin: I'm pleased that Mr O'Toole seems to get it, that it's going to mean higher prices. Their party was one that spoke for some time about the cost of power being reflected as a truer cost rather than some artificially fixed price.

I find it passing strange that we'd get some kind of lecture about consistency with promises when I can recall a three-month period having to do with the last leadership race, a period where his party and his leader held, in a three-month period, 11 different positions on pricing and what was going to happen with the independent market.

When Mr O'Toole asks for advance notice to the people of Ontario, the people of Ontario can rest assured that this government gets it, that we're committed to conservation, which the previous government, with all due respect, did very little on. We're committed passionately to enhancing the supply of electricity throughout the province of Ontario. There was virtually no supply increase under the reign of the previous government. We're prepared to do that collaboratively and in partnership with people who we think—hope—know what they're doing and exercise some government discretion to intervene in those instances where perhaps we feel they're going astray. We're maintaining that check and balance. So the people of Ontario can rest assured that this government is moving ahead. We're rejecting the two previous approaches in favour of something that we're convinced will work. Interestingly, notwithstanding the perspective, of the 146 or 147 who presented, about 90% were in concurrence with the general thrust and the reference to the hybrid model that we're advancing. So we on this side of the House have no apologies to make. We're trying to correct the mess that had been left, which all the stakeholders in Ontario bear as owners of this system, and to move forward in a prudent, responsible way to ensure that we have adequate energy supply at a good cost, ultimately when the supply is enhanced. That's the government's priority, with a good, healthy dose of conservation thrown in as well.

Ms Wynne: Mr McMeekin has said much of what I wanted to say, but I think the main point here is that we are trying to put stability into the sector. That's exactly what our plan is intended to do. From what Mr O'Toole said, I don't know whether his concern is for individuals or for business—I think I heard him talk about business and stable prices for business. We heard from a lot of people in these hearings. We didn't hear from anybody who generally thought sit was a bad idea to try to sort out the mess we've been left with. I think that Judith Andrew from the Canadian Federation of Independent Business said, "We appreciate that the government is following through on their commitment to provide small business with predictable and stable electricity prices." That's what we're trying to do. That's what this framework is being put in place to do. I think we heard that from environmentalists, from businesspeople and from individuals. People prefaced their comments about Bill 100 by saying, "We know the sector's in a mess. We know we need stability. You're moving in the right direction." That was what we heard across the board, and that is what we're trying to do. We as the government have to take responsibility for doing that, and we can't afford to be posturing at this point. We have to sort out this mess for the citizens of this province, and that's what we're trying to do with this bill.

Mr O'Toole: I don't want to get into a quarrel here. I think we're really establishing a framework of our own party's policies, and in the public interest.

I want to refute what Mr McMeekin said: that there was no new supply. That is absolutely false. Look at the Bruce nuclear generating station. Look at the creation of new generation at Lennox—we completed the dual fuel system there. Sarnia, the 500 megawatts of gas; as well, the Toronto wind generator was not built or commissioned during your term; the EnerStar program, the tax rebate—all of these programs were initiated by our government—

An emergency alarm sounded.

Mr O'Toole: I won't prolong the discussion—the differences in subtleties here—except to say that when we interfered on price, when we opened the market and there was a short supply and the price went up, it was a very controversial area. In fact, all MPPs of the day—

An emergency alarm sounded.

Interjection.

Mr O'Toole: Yes, I think this has been planned by the government to interfere with the continuity of my comments.

I only want to say that all parties advocated on behalf of their consumers, mostly residential and people on fixed incomes, that something had to be done about price, which we did, and which was, by the way, supported by the then Liberal opposition, respectfully. I believe, going forward, as you find the price going up and up, because there are a lot of cost pressures in the system—there's \$40 billion of new cost. Where is that money coming from? It's going to come from the consumers. By and large it's going to come from the regulated side; that is, the consumer side.

I just want to be on record that we have refuted Mr McMeekin's idea that there has been no new generation, also that the price freeze was supported by them and then unfrozen by them. So there will be a lot of discussion in this area. I just ask for your support on a recorded vote.

1050

The Chair: Any further discussion? Shall the amendment carry?

Ayes

O'Toole.

Nays

Craitor, McMeekin, Ramal, Wynne.

The Chair: Ms Churley, you didn't cast a vote.

Ms Churley: Can I abstain? It's allowed, I believe.

The Chair: It's lost.

Item 4: Mr O'Toole, please.

Mr O'Toole: I move that clause 1(g) of the Electricity Act, 1998, as set out in section 1 of schedule A to the bill, be struck out and the following substituted:

“(g) to promote investment and economic efficiency in the generation, transmission, distribution and sale of electricity.”

Basically, our goal here is to encourage private sector investment in Ontario's electricity sector as a means of providing economic efficiencies. Quite clearly, if you look at even the more recent comments by the minister—and all the public discussions is the issue of the imminent investment of some \$40 billion to rebuild the electricity generation and transmission sector of the economy over the next 10 to 20 years. So it's just strengthening that language in clause (g) by adding a couple of words.

The Chair: Discussion?

Ms Wynne: The only comment I wanted to make is that I won't be supporting the addition of the word “investment.” Our priorities, and they're already there, are adequacy and reliability. Those are the qualities we're looking for in this sector. The objects of the OPA are “to conduct independent planning for electricity generation, demand management, conservation and transmission,” and develop an integrated power system for the province. So we won't be supporting this amendment.

Ms Churley: Can I just ask a question? I'm not really clear, Mr O'Toole, what you're getting at in terms of promoting “investment and economic efficiency.” What is lacking around this area that you feel this needs to be—

Mr O'Toole: Well, the certainty of investment is made clear by the minister. He says in almost every speech that it could be as much as \$40 billion to rebuild the sector. If that's going to be done through the auspices of the OPA—as we know, one of the frailties of the OPA is its creditworthiness. All the contracting it does for building any of the new assets—the generation, transmission or distribution assets—is going to be held as public debt in some form of book, and it's the whole issue of creditworthiness that really comes into it. I want the minister to be clear, because he's had two RFPs out. One is for 300 megawatts of renewable, primarily wind, which we support, all of which would be done by a mixture of private-public money. The second RFP is for 2,500 megawatts, which is out. He needs to be clear that this really is private sector, whether it's public sector pensions or broader sector pensions or other investment strategies.

As well, I think that's really the key word here, to be clear with you.

Ms Churley: Privatization?

Mr O'Toole: No, it's not privatization; it's all people's money, whether it's invested through the government as future taxes or as a tax policy to give tax credits.

Just recently, there has been announced a review of the renewal of the Bruce A station, and the minister has appointed a person, I think last week, to review their business plan for refurbishment of Bruce A. Whose money is it going to be? In the case of Bruce, it's a mixture of public sector money as well as private sector investment. The key word here is “investment.” Be clear and honest with the people of Ontario. Are you encour-

aging investment funds? These are people's own retirement funds, their own investment options, including public sector and private sector pensions. Let's be honest with the people: We need investment. Are you going to do it through raising the rates or through raising the taxes, which you've done in both cases now?

That's really it. I'm putting it to you as a question. Let's be clear and let's be honest with the people of Ontario. What do you mean by the term—or the lack of clarity on investment? OPA is going to be going out and contracting, on what authority, without the taxpayers of Ontario backing it, because it's not creditworthy in its own right? It's not a crown corporation. That clarifies it, I think.

Ms Wynne: This issue of creditworthiness came up, and the response back on the investment issue is that we're looking for a balanced sector and a hybrid market.

I just want to read from Dominion Bond Rating Service, August 17, 2004: The rating for the Ontario Power Authority is “A (high)....”

“The OPA's creditworthiness is supported by: (1) the draft legislation (‘Bill 100’), which provides the OPA with a strong ability to meet its obligations, including contract payments....”

I guess the question would be which part of A, high, Mr O'Toole objects to.

Mr O'Toole: If that's a question to me, Chair, I see—

Ms Wynne: I can provide the committee with this information.

Mr O'Toole: I appreciate that, Ms Wynne. That's very thoughtful, as it has not been provided to date. It was asked for during the preliminary presentation by the minister.

In that section, if you read the section on OPA, it has the ability to pass on rates—that's what it has—to collect the money it's going to spend or finance it going forward. If you read that section carefully, all of that has to be approved by the minister, and as such becomes part of the government's general debt.

What I'm suggesting is that if there is, as you've suggested—and I commend you for that—a mixture, a balance, as you call it, of investment, I support that. But I want to be clear. I want clarity and transparency in the fact that 60% or 75% of all investment—the capital required to refurbish all of the assets—will be a mixed portfolio of private and public money and will not all be borne in the rates. If you're going to pay these future mortgage payments for the new capital in rates, electricity is going to become unaffordable for those persons living with disabilities in their homes or persons on fixed incomes. It can't show up in all of the rates; it just can't. There is a threshold of tolerance, and that's the elasticity of rates. It's price-inelastic today. In other words, I need 800 kilowatt hours a month, regardless of the price, just to keep the ventilators and the other equipment operating in my home. Do you understand? I have problems with the threshold. The 800 kilowatts is too low.

I'm one who doesn't have air conditioning in my home, but I was at a meeting at the school board and they want all the schools to be air conditioned, even though

they're closed in mid- to late June. Maybe that's a standard of living we've come to expect and afford, but investment here, to be clear, is all about being clear with the people of Ontario about where the money comes from: out of the rates or out of risk takers in the marketplace? I ask for your support on this.

Mr McMeekin: I've said before and I'll say again, for what it's worth, that my constituents aren't lining up at my door saying, "Please, Mr MPP, go out and have the government borrow another \$10 billion and put it on my tax bill." That's not what I hear them saying, which is why I'm keen to see the hybrid model move forward, that independent investment that tries to put in place a series of conditions that are helpful to those who are prepared to take some of that risk.

1100

But there's a difference between risk-taking and risk management. I think this government is trying to manage the risk and trying at the same time to walk that line, which so often, because of the policy sector area, becomes very difficult to walk. We were talking about consumer protection and potential price caps a moment ago and now we're talking about some definition of what's meant by investment, unbridled or otherwise.

So I think in the last 10 minutes we've seen a perfect outward and visible sign of why we need to walk the balance. Mr O'Toole was talking about price, consumer protection and about creating a healthy investment climate at the same time. That's exactly what we're trying to do, John. My taxpayers aren't lining up and saying, "Hey, no, no. Don't let any investors get involved in taking some risk to create some generation. I want to pay for that myself." That's not what my taxpayers are saying—nor yours, I suspect.

The Chair: Any further question?

Mr O'Toole, do you want a recorded vote on this one?

Mr O'Toole: Yes.

Just a little comment to bring more clarity to the point I'm trying to make. If, for instance, Stelco, in its restructuring, was able to be a combined-cycle cogeneration facility and become efficient, it would need a licence to put its excess electrons on to the grid. They may be contracting for a certain price for those electrons as part of their business plan, as part of the revenue side.

That's what I mean by private-public partnerships. These are strategic investments to maintain communities like Hamilton and other communities like Sarnia, the petrochemical industry; they need certainty in price in their business plan and they also need to be in a contract position with—probably the government of Ontario underwrites; that's the taxpayer at the end of the day. So that's what I mean by investment. There are all sorts of new ways to a large, consumer-specific—

An emergency alarm sounded.

The Chair: I'll now put the question. All in favour of the amendment?

Ayes

O'Toole.

Nays

Churley, Craitor, McMeekin, Ramal, Wynne.

The Chair: It's lost.

Ms Wynne, please.

Ms Wynne: Thank you. I move that clause 1(g) of the Electricity Act, 1998, as set out in section 1 of schedule A to the bill, be struck out and the following substituted:

"(g) to promote economic efficiency and sustainability in the generation, transmission, distribution and sale of electricity."

What we've done with this amendment, Mr Chair, is add the promotion of sustainability to the overall purposes of the act. Again, this is very consistent with what we heard from stakeholders, who wanted to be sure we included the idea of sustainability, including environmental, social, economic sustainability, in the overall purposes.

The Chair: Discussion?

Mr O'Toole: Just quickly; we won't dwell on each of these, otherwise we would be here till next October.

"Sustainability" is a nice, floating kind of word. Perhaps Ms Wynne could bring some clarity to "sustainability" from two perspectives. One is from the broader, general overview of the system, all its technical components, and the other part is the consumer side. Maybe she could bring some certainty to that. Then I'll support it, probably.

Ms Wynne: I think you've raised a good point. The reason we said "sustainability" and didn't qualify that word was that we need to be sure that whatever we put in place is sustainable, ie, can continue, is not going to self-destruct or burn out a particular sector. So we're not going to ruin the environment or make it impossible for people to have the lights turn on.

We need sustainability in terms of the economics of this sector; we need sustainability in terms of the environmental impacts. That's what we're trying to put in place: a balanced, responsible and sustainable electricity sector. That's what we're trying to do.

Ms Churley: Again, I would like to see "sustainability" more broadly defined. But I just wanted to ask a question around what you mean by "economic efficiency" in the context of what you just said.

Ms Wynne: I think what "economic efficiency" means is that we don't spend money where it shouldn't be spent, that we don't waste money and that we don't build up debt where we shouldn't be building up debt. I think it's all the cleanup of the financial burdens that have been in place in the last number of years. That's what we have to cut through, and, in order to do that, we're going to have to be efficient in the way we manage. You know, when I think of efficiency in terms of my own life, efficiency means that I learn to conserve, that I learn to be efficient and to steward the power that I have in my own home and that we have in the province. That efficiency is about making sure that what we have lasts.

Ms Churley: I asked that question because, of course, economic efficiency, like sustainability, can mean a lot of

things. To me, it would suggest something very different from what you said, possibly, and that is, how does one determine what is economic efficiency in the context of sustainability, for instance, when, in bringing in clean power sources and helping conservation and efficiency, there are a lot of upfront costs that some might argue are economically inefficient? You're spending a lot—if I may continue and explain—up front, which of course is one of the problems now, because people don't want to lay out that amount of money even though, over time, you save money; it comes back. That's one thing that would not be considered economically efficient by some.

The other thing I would read into this is that it's a very good opportunity to make the case that we shouldn't be moving forward with new nuclear plants. Talk about economic inefficiencies—that we all know from the past—and the cost associated with the stranded debt that consumers will be paying for for a long time. Now the government is looking at building more nuclear plants, and I'm not even talking about the multi-billions to deal with the very hazardous waste that comes from nuclear plants. This suggests to me that, right off the bat, we'd be ruling nuclear plants out. There might be other reasons the government wants to make why that is a good idea to go forward, but, man, it is not economically efficient.

That's why I think that is such a loose term that could be misused in many ways. I will certainly use it, if it passes, to make a very good case why we shouldn't be moving forward with new nuclear plants.

Ms Wynne: I think, Mr Chair, if I might, if we go down the road for this clause-by-clause process in terms of a semantic debate—and we can do that—we could have a similar debate, for example, about clean energy. I think I raised the issue earlier. "Clean energy" has been defined in many ways in these hearings, including clean coal, and nuclear has been described as clean. It just depends on your perspective, in many cases, how these terms are defined.

I've given you what we mean by economic efficiency and sustainability. The fundamental point here is that as government we have to balance all of these things. We have to balance the economic efficiencies with the sustainability issues. We have to talk about some of the points Mr O'Toole is raising in terms of the prices. All of the things listed here have to be balanced, and we're trying to put forward the most rational plan to do that.

Mr Ramal: Just a comment about what Ms Churley said. I just want to echo what my colleague said also about economic efficiency and the whole project. What we mean by "economic" means, if we have to invest, we have to invest, but we have to manage what we spend and we have to make sure that money goes in the right direction, not like what happened in the past.

You mentioned the nuclear stations and facilities in this province. We listened to many speakers and researchers on this matter. It doesn't mean I'm supporting it or against, but they said to us that for a plant constructed about 25 years ago, there is a time to refurbish. If we do it efficiently, it will cost every Ontarian about \$5

per month, which I think is very efficient. It doesn't mean, as I said, I'm supporting that. But in the past, all this money was wasted by mismanagement. When we opened the OPG and the Hydro One file, we saw a lot of money being wasted left and right on the people who supported or were in favour of the past governments. So that's what we're talking about: efficiency.

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As I said, it doesn't mean you spend a billion dollars, which means you're going to get sustainable hydro. We're talking about spending whatever needs to be spent, on one condition: it be sustainable, renewable hydro. That's what we mean by this point.

The Chair: Any further discussion? I will now call the question.

In favour of the amendment? Three. Opposed? Two.
Mr McMeekin, you're abstaining?

Mr McMeekin: Yes.

The Chair: Carried.

Mr O'Toole: Duly noted.

The Chair: Duly noted.

Mr O'Toole, you're up on the next one.

Mr O'Toole: I move that section 1 of the Electricity Act, 1998, as set out in section 1 of schedule A to the bill, be amended by striking out "and" at the end of clause (i), by adding "and" at the end of clause (j) and by adding the following clause:

"(k) to provide a balance between the need for a stable and reliable electricity sector and the protection of public health and the environment."

All we're really doing here is expanding the intentions of sections (i) and (j) by making sure that we stress the importance of the balance between reliability in the electricity sector and public health and the environment. As has just been said in the last discussion on sustainability, the choices the government makes should come down on which side? The balance I'm speaking of is on the supply or on the environment. Ms Churley might say that we shut down all the coal and all the nuclear immediately and freeze to death and starve to death in the dark. So I see it as a balance of—there is a relationship between economic well-being, which includes our health and welfare, and electricity as an essential commodity. That's all this is doing: stressing the difficult choices the government—the now government—will have to make on this whole balance of price and supply and supply and environment.

Mr Ramal: It's not clear to me. What do you mean, "a balance between the need for electricity and the health of the people"? Are you in favour of keeping coal generation going, and the main thing is you also have to maintain hydroelectricity going to the people? Is this what you mean? I don't know what—

Mr O'Toole: I see the two as interrelated. In fact, our quality of life, whether it's air-conditioning, or persons in hospitals or long-term care needing adequate comfort, adequately preserved and prepared food on the one side—that's the quality of life. Now, if you go full out on the supply of electricity and decide that you're going to

close all the nuclear plants along with all the coal plants, we'll freeze to death, starving in the dark.

You've got a balance here of stable, reliable supply and its relationship with quality of life. Which comes first? I believe the answer is eminently clear that stable, reliable supply comes first, not at the expense of but always considering the pressures of the environment, emissions, etc. Whether they're short-term emissions, ie coal, or long-term emissions, ie nuclear, all generation of electricity creates waste—all of it, every single source.

Mr Ramal: I guess—

The Chair: Mr Ramal, we'll have you in a second. Ms Churley and then Mr Ramal.

Ms Churley: In view of time constraints here, I'm not going to take the bait Mr O'Toole dangled in front of me to have a long discussion about the NDP policy on energy. But just for the record, certainly we don't promote that everything be shut down and people freeze in the dark.

Interjection.

Ms Churley: Yes. I won't go into all the details here. I'm sure Mr Hampton has done that frequently on committee and will again. However, I will not be supporting this amendment because, as I said before, I believe this planet is in serious trouble and when we start talking about that kind of balance, what it means ultimately is that the pressure in fact will not be there to do the kinds of things we have to do to protect the environment and to wean ourselves off nuclear, coal and indeed, over time, fossil fuels, as they continue to disappear.

Mr O'Toole: Get rid of it all.

Ms Churley: Well, that's what's going to happen over time. So now is the time—our generation. It is now the time for us to be thinking about your children, your grandchildren and their children, because we're not going to be here. They're going to have to be here dealing with it. I know, I sound like I'm lecturing, but this, to me, is the really critical point. We as legislators are responsible for the future of this planet. Therefore, in my view, when we talk about balance, we should be talking about doing everything we possibly can, in fact, to tip that balance to, as Ms Wynne calls it, sustainability. Your amendment would not do that.

Mr McMeekin: Was that sustainability or disdainability?

Ms Churley: No, I thought I used the word in a broad sense here. But I just want reiterate that, obviously, everything has to be done in a responsible way so people don't freeze in the dark, and nobody's advocating that. We need to be bringing forward a bill that tips the scale so that we're doing more, bringing in more renewables and phasing out all of the sources that are causing so much damage to our environment.

Ms Wynne: Just a quick comment: That's why we brought in safety and sustainability in a previous amendment. Safety includes the concept of public health. Public health specifically has implications for other ministries, and other ministries have responsibility for public health, but safety includes that concept. A system that is not safe

is not sustainable, which is why we've brought in sustainability as well. I really think that the concepts are covered off, so we won't be supporting the amendment.

Mr Ramal: I just want to go back to Mr O'Toole's comments about having a choice between air conditioners and fridges and a set way of life, or shutting off all the generation we have in Ontario. But the issue is not that. We are looking for both. But we want, as my colleague said, safety, cleaner energy and sustainable energy. That's my point. That's it.

The Chair: Any further discussion? I'll now put the question. Mr O'Toole, do you want a recorded vote on this? OK. All in favour of the amendment? Opposed? It's lost.

Ms Churley, you're up next.

Ms Churley: I move that section 1 of the Electricity Act, 1998, as made by section 1, schedule A to the bill, be amended by striking out "and" after clause (i) and by adding the following clauses:

"(k) to protect public safety and the environment, and to protect economic and environmental sustainability in the generation, transmission and distribution of electricity;

"(l) to ensure the access of low-income consumers to the electricity supply and conservation programs; and

"(m) to ensure that low-income consumers are fully protected from higher electricity bills."

This is self-explanatory. It just, once again, adds additional references to environmental protection—you'll note the word "sustainability" is used in this case—and the protection of low-income consumers to the purpose clause of this act. This is something that I think many have expressed concern about, that no matter what happens with this bill, at the end of the day, rates are going to go up significantly, it appears, over time. We need to have it made very clear in the purpose clause that low-income residents will be protected.

The Chair: Discussion? Ms Wynne?

Ms Wynne: I just want to be clear that it is our concern that all consumers have access to supply and conservation, and we certainly share the concern around low-income folks. In fact, the ministry has entered into a partnership with the Social Housing Services Corp for a pilot project to develop centralized energy management service in 20 nonprofit buildings in Ontario. There are other places where these initiatives are going to be in place. Already, the local distribution companies have been given \$225 million, and part of their mandate is to develop conservation initiatives that will help people find ways to conserve. So we've not only said, in principle, that that's what we're going to do; we've already put money behind those initiatives. We've already started down that road.

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This bill is not the place where we're going to deal with that level of specificity. Those programs will be put in place in other ways. This is enabling legislation to set up a framework for the whole sector. It's not that we disagree with the sentiment here. In fact, the issue about self-sufficiency—I think this amendment has changed

since the first version I saw. It's not that we disagree with the sentiment here; it's just that it's going to be in other places and other ways that we've already started to deal with some of the issues Ms Churley has raised.

Mr O'Toole: In many respects I would like to support the NDP motion, because it's an important stressing of a price issue, which we will be speaking on in pretty well every amendment. I think, in that context, I am supportive.

I'm somewhat surprised by the government. This was said by the now Premier, Dalton McGuinty: "First of all, we have to maintain rate relief for consumers. I have had the terrible responsibility to raise horror stories in the Legislature, people who have been put ... in a desperate position because they simply can't afford to pay their hydro. So we've got to maintain rate relief for our ratepayers." That was on November 13, 2002. How quickly one changes their mind when they face reality.

It really has to be stressed here that I will be supporting this because it is talking to the very premise of our position, which is the residential side is the smallest consumer group of all the electrons in Ontario. They are really the only ones who don't have a power voice; that is, they can't block-purchase, they can't have forward contracts, they can't have what I'd call demand-management agreements. They are price takers. In that respect, I'd like to support Ms Churley's intent here. I'd expect the government to stand behind their Premier—their Premier, not mine. I say this seeking some sign of conciliatory approach to this discussion today.

Ms Churley: I'd like to say that the reason why this amendment is before us is, it ties in with the reasons I gave for the other amendments earlier, and that is, our amendments are making it clear—almost every one of them—that conservation is our first line of defence against further blackouts and high costs and going down that further road of building new nuclear plants and not being able to shut down coal plants and all of those things.

Once again, I want to make it clear that if we don't have those kinds of clauses in the bill, making it very clear that that is the priority, it's not going to happen to the extent we need it to happen. This bill, as it is now worded, will not make it happen. So once again, the reason why we included "to ensure the access of low-income consumers to the electricity supply and conservation programs" is because not enough is being done. Pilot programs are all very well, but again, we need the incentives and the sense of urgency to go beyond pilot programs and work with the municipalities and the low-income social housing providers and everybody else out there to get it moving so the system is sustainable far more quickly. This small pilot project is not going to get us there in terms of the sense of urgency we have before us, especially with the government talking about building new nuclear plants and perhaps having to put the phase-out of coal off to a future date.

The (m) portion of my amendment, "to ensure that low-income consumers are fully protected from higher electricity bills," is critical.

I was at the announcement when the Liberals announced that they were putting money in to help low-income people pay for higher rates. It's \$1 in low-income assistance for every \$20 of extra hydro costs. That's just not good enough. When those bills go up, people who are on fixed or very low incomes are not going to—\$1 out of every \$20 isn't going to do it.

So, again, this amendment is being put forward to ensure that there is more of a commitment to conservation and energy efficiency, and that low-income people have access to that, and that there is more assistance for low-income people to help them pay for rate increases.

Mr Ramal: For what you described for 1(k) of the act, 1998—as my colleague Ms Wynne said at the beginning, we are guaranteeing the people of this province sustainability and protections. As you said about low income—we have no definitions of what you mean by "low income." We don't have a threshold of what's meant by "low income."

Ms Churley: I can provide that.

Mr Ramal: Yes. As we said, we are, as a government—we didn't propose laws and bills just for the sake of political gains. We want to support the people. Whatever we said, we'll put money behind it to support them.

The whole thing is not clear to us. That's why I'm not going to support it.

Ms Wynne: I think the issue that Mr Ramal has raised is a critical one, in terms of the definitions. There is no definition of "low income" in this legislation. That is a debate in and of itself.

I think what I said before was that we're trying to provide stability, adequacy, reliability, safety and sustainability for all consumers. That has to be the goal of the government: to provide for all consumers.

Having said that, the issues you've raised around low-income consumers are why we're putting other programs in place to help those folks. There's no disagreement that there's a segment of the population which is going to need support, in terms of conservation measures. There are going to need to be mechanisms in place. That's why the local distribution companies have been given \$225 million. That's why there's a program in Comsoc to deal with some of the housing issues.

So, I don't think there's any fundamental disagreement. It's just that in this legislation, there isn't a definition of "low income." We're going down a dangerous path by introducing an amendment when there's no definition of what we're talking about.

So, we're trying to deal with it with programs in other places. We're committed to that. We've already started.

In this legislation, we're trying to put price stability and predictability in place for everyone in this province.

Ms Churley: I'm flabbergasted at that response about no definition, for instance, of "low-income consumers." It belies Ms Wynne's previous argument when I asked for a definition of "sustainability." I was told by Ms Wynne that they didn't want to put definitions of "sus-

tainability" in this bill because it was unnecessary—but it could mean a number of things.

Interjection.

Ms Churley: Yes, you did.

Ms Wynne: No. I said the word "sustainability" encompasses many things. I didn't say we didn't want to put in a definition.

Ms Churley: Yes, and so does "low-income consumers."

So, if it's OK because it meets the government's needs to put in "sustainability" without definitions and ask us to support that, and then when I make the same argument around low-income consumers and I'm told, "Oh no, it's not defined; therefore, we can't have it in," there is a contradiction there. I think that we can't have it both ways. Well, obviously, the government has the majority, and they can. I wanted to point out that inconsistency. If that's the way we're going to approach each and every—

Mr O'Toole: They're bullying us.

Ms Churley: Just for the record, I'm laughing because Mr O'Toole said they're bullying us. I don't feel bullied; I just want to say that.

Just getting back on track here, I think that you can't have it both ways. I would want to go back and re-examine what you meant by "sustainability" and put in exact definitions of that.

I think it's pretty clear what we mean by "low-income consumers." The programs that are in place—the one I mentioned—the meagre low-income assistance plan the government announced with such fanfare, defined I guess what low-income people are. So I'm very disappointed that this has not been accepted and I don't accept the reasons given.

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The Chair: Further discussion?

Ms Churley: I'd like a recorded vote.

The Chair: I'll call for the question.

Ayes

Churley, O'Toole.

Nays

Ramal, Wynne.

The Chair: Abstentions: Mr McMeekin and Mr Craiton. By parliamentary convention, the Chair votes against the amendment. According to parliamentary convention, the Chair generally supports the general thrust of a government bill, and that's my reason for not supporting the amendment this time.

Number 8, please.

Ms Churley: I move that section 1 of the Electricity Act, 1998, as made by section 1 of schedule A to the bill, be amended by striking out "and" after clause (i) and by adding the following clauses:

"(k) to ensure that Ontario is self-sufficient in electricity supply; and

"(l) to preserve the public ownership of the electricity system assets owned by the government of Ontario for future generations."

I think this comes to the core or the nub of the New Democratic position on public versus private ownership. This is a very important amendment to us in that it adds the preservation of public ownership of existing electricity assets to the purpose clause.

Mr Ramal: I want to mention here, just to be on the record, that Bill 100 is not about selling the assets of the government—exactly what the previous government did in the past: selling most of the assets to private investors. The issue is to open a balance between having new investment come in to help us build generation in this province and to have sustainable electricity. That's what we're trying to do. That's exactly what my colleague, Mr McMeekin, said a few minutes ago.

Talking about my constituents also, whether they want to ask me to borrow another \$10 billion to refurbish the facilities we have or to establish more facilities to supply the demand for hydro in this province. Therefore, we're looking for another investment from the people of this province to help us to maintain and produce more energy to have sustainability and efficiency in this province. Therefore, I'm against what you said.

Ms Wynne: I think the bottom line is that there's nothing in this bill that promotes the selling off of assets, so it's a little bit beside the point in terms of Bill 100. We've put sustainability into the purposes, which I think deals with your self-sufficiency issue. In terms of public ownership of currently owned assets, there is nothing in this bill that suggests we would be selling.

Mr McMeekin: Heritage assets.

Ms Wynne: As my colleague says, we're calling them heritage assets, we're valuing them, we're using them and we're not selling them off. So I think this amendment actually misses the point of what we're trying to do.

Mr O'Toole: I think this is an important amendment which I want to be on the record as not supporting.

Ms Churley: I didn't think so.

Mr O'Toole: It has never been the policy or the case in Ontario, to my knowledge, right from the beginning when they built the Niagara Falls project, Adam Beck. We've always interchanged with other jurisdictions. In fact, the initiative by the government is to pursue interchange agreements with other jurisdictions, like Quebec and Manitoba, for sustainable energy. So in my view, it does not give the government flexibility. In fact, it should have included a copy of Howard Hampton's book, *Public Power*, to really understand public ownership.

I think the agreements at Bruce are fine agreements, where the power workers themselves are heavily engaged in making sure the operation is both efficient and successful. So I won't be supporting this motion, as it is completely unrealistic in the current terms of the interconnected grid in the North American market. If we have extra electrons, we should be selling them. If we have extra, there should be thresholds there. We do now. We're interconnected up to about 4,000 megawatts of

electricity between ourselves and the United States through interconnect grid capacity.

Ms Churley: Just briefly again—I won't take the bait here—I just want to say that Ms Wynne said there's nothing in the bill that suggests the government is looking at selling off existing assets, and as far as I can see, I agree with that. However, this bill, if passed—and one can assume—

Mr O'Toole: It is selling off assets.

Ms Churley: Existing assets.

The reality is, that doesn't mean that it can't change its mind down the road, and of course governments tend to do that from time to time. Governments sometimes break promises through a series of events that could not be foreseen or whatever, or a change in government happens—

Mr McMeekin: Circumstances change.

Ms Churley: Circumstances change.

This is speaking very directly to the fact that, should the bill pass, as we expect it will, this is part of the bill for future governments, and for this existing government, should circumstances change. That's why it's there, and I think it's really important that it be passed for that reason.

The Chair: Further discussion?

Ms Churley: Recorded, please.

Ayes

Churley.

Nays

Craitor, McMeekin, O'Toole, Ramal, Wynne.

The Chair: It's lost.

Mr O'Toole, you're next, I believe.

Mr O'Toole: I move that the definition of "alternative energy source" in subsection 2(1) of the Electricity Act, 1998, as set out in subsection 2(1) of schedule A to the bill, be struck out and the following substituted:

"alternative energy source" means a source of energy,

"(a) that is prescribed by the regulations or that satisfies criteria prescribed by the regulations and that can be used to generate electricity through a process that is cleaner than certain other generation technologies in use in Ontario before June 1, 2004, or

"(b) that uses clean coal technologies that meet criteria set out in the regulations;"

With your indulgence, a small explanation: I think we need some certainty and confidence. This has been a contentious issue within the bill, and now we're moving to the second section. Under the purposes section, you would understand that there would be clarifications by each of the parties into some of the purposes of the act itself.

In this section, we're moving into the specific alternative energy sources. In my view, it would be irresponsible and not in keeping with current research to not

examine all technologies in the context. But it also allows a lot of leverage or latitude, if you will, on the part of the minister, through regulations, to prescribe certain sources of energy as alternatives. That's really what's covered here.

Actually, renewable energy sources are already covered under a separate definition, I might add. Leaving the discretion of regulation makes all of the public input we've heard on this very important and very controversial topic of—well, all sources of energy generally have some consequence to them. I think it makes all of the public input that we've heard, from the people who have taken the trouble to give their input, meaningless unless we bring some clarity and some certainty into what you mean by "alternative energy source."

Ms Wynne: I want to address the second part of this amendment, the clean coal technology. We heard a lot of presentations about the possibility of clean coal. I think what we have to accept from having listened to the presentations is that there isn't a commercial technology for reducing carbon dioxide. If we accept that there probably are processes and scrubbers to deal with the nitrogen oxides and the sulphur dioxides—the NO_x and the SO_x—we didn't hear anything that was convincing about the carbon dioxide and mercury, and there are other toxic emissions.

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We remain committed to phasing out coal. We're committed to cleaner air in this province. The health concerns of children with asthma are paramount, and we're not going to budge on that. That is our commitment. So it's impossible to accept this amendment.

Ms Churley: I'd like to speak briefly to (a) and (b) of this amendment. First of all, on the quick and easy one, the clean coal, there has been quite a lot of research and work done on so-called clean coal. I don't know if the Pembina Institute talked about this specifically, but it's certainly in this report I mentioned. They did in fact find one way to burn coal that is not burned traditionally and they go into the technology of how that is defined as cleaner. But the point they make, and I would echo Ms Wynne on this, is that the problem is that the—I've got the report in front of me. It says that this particular process—coal—is only 25% lower than that of conventional coal-fired facilities in terms of the pollutants that come out. So even with the one technology that seems to be able to burn cleanly, there's still the problem of the greenhouse gases. Just in that alone, having that there—and perhaps you would agree to strike that out.

I have problems as well with (a), and that is talking about definitions again. I would say first of all, however, the government perhaps should—and didn't—look at the committee report from the alternative energy committee that was struck by the previous government. That, in fact, was a good working committee between all three parties and came out with a whole series of recommendations that we mostly agreed on in terms of alternative energy. Overall, it's a very good report.

There were a few recommendations in that report that I did not support, and I made that clear. There was no

consensus. One in particular was the burning of garbage to create electricity, to create heat, whatever, which was considered to be one of the newer technologies, and now people talk about gasification and those sorts of things. I did not support that particular form of alternative energy, and never would and never will. I know that one of your leadership contenders, Mr Tory, speaks repeatedly about that, and he did as a mayoralty candidate as well.

So that is my problem with that. I believe to some extent that's where you're going and there are a number of reasons why I don't support it, even if you could prove that the technology is advanced to the point where there are very low emissions. There are a lot of other issues around how we deal with our garbage and the need, just like with electricity and the burning of fossil fuels, to find other more environmentally sound ways to deal with our garbage, but to make us conserve our resources better as well.

I know I'm going into a whole new area here, but in case you come back with the argument that the gasification process and other processes are a lot cleaner and should be used, there are other reasons why we should not go that route in terms of how we deal with our garbage. So I can't support this amendment.

Mr Ramal: I also cannot support this amendment, for many reasons. The most important one is because we are, as a government, committed to improving the quality of our air to protect the people of this province.

Also, we listened to many presentations from many researchers during our committee travel across the province. None of those gave us enough evidence or enough scientific information to have clean coal generation in place. We listened to a lot of researchers, and they talked about cleaning it through the water system, which creates another problem regarding all the species in the water around us. So I think it's not a good idea. That's why I'm not supporting that.

Mr O'Toole: I certainly have listened and am somewhat disappointed by the lack of confidence in research and science to pursue cleaner and alternative technologies objectively, if this is the signal you're sending.

The other part is that the question that remains is not baseload generation. We don't need polluting sources of generation, pumping it for a baseload. We basically have made a decision that baseload will be made up of nuclear and water—I think that's what you will continue with—and, to some extent, you'll use some peaking capacity from natural gas. I'm thinking, as you move forward and you leave room for research into new technologies, whether it's coal bed methane or other applications of clean technologies that could be under the term "gasification" or other forms—plasma, etc—the problem is lack of clarity with the public.

You're just not being honest. When you are leaving "alternative energy sources" to be defined in regulations, I don't know what the regulations are. I can say that you could make an argument that alternative energies basically could be nuclear. It could be a whole series of options, and I don't know that there won't be a raging

argument about all of them. If I were to say to you that the price of natural gas futures is going to be double, that's a whole argument. If you're going to put all your money into peaking power being gas plants, well, get ready, because that's going to be more difficult.

I think you're cutting yourself off here, but you're not being honest with the people. I don't know what you mean by "alternative energy sources." I sat on these committees. Everyone has asked, "What do you mean that you're going to define 'alternative energy sources' in regulations?" It may be that you exempt yourself from some of the improvements in existing coal facilities, and say, "We have improved this into a higher burn, more pulverized coal or some other form."

But if I look at the overall evidence in the airshed we're talking about, specifically in Thunder Bay, Atikokan and those plants in that part of Ontario, it's been said by most of the experts that they don't form part of this airshed that has been contributing to respiratory problems that the medical officers of health and association of doctors have made clear or at least attribute to their death.

I just want certainty in regulation. I'm trying to get it, and obviously you're not prepared to do that, to be forthright with the people of Ontario. It's my job to point that out.

The Chair: Any further discussion?

Mr Ramal: Just to be on the record about what my colleague Ms Wynne said a few minutes ago about technology: We're not opposed to technology. If technology comes forward that supplies us with enough evidence that coal generation can be environmentally friendly, we'll be with it. We'd start to phase that in by 2007, all the way up. If it's proven to us that technology is environmentally friendly, we're with it. We're not hypocritical people. We want to serve the people and also lower emissions in the air, the smog which we saw yesterday and today.

Ms Wynne: Just quickly, I think it's important to say that the OMA—I don't know which doctors Mr O'Toole is talking about—applauds our decision to get out of coal. I think their decision and their opinion would be based on the science around coal emissions. So we're not going to support this.

Mr O'Toole: Just one remark, if I may: We had committed as well—the Lakeview plant that will be closing down next year was done when we were government. You understand that, so don't attempt too extreme credit. In fact, you supported that; you supported our strategy of current coal technology elimination by 2015, but you came through with an election commitment of 2007. Most of the experts say that, without very expensive solutions, 2007 is unaffordable and unrealistic. I think we've made that point.

Mr Ramal should read clause (b). It says, "that uses clean technologies that meet criteria set out in the regulations." So it isn't an open door. It allows you to set regulations that meet and measure thresholds, whether it's particulate matter, whether it's mercury, whatever it

is you're measuring, to these criteria. If it meets it, it does not eliminate that possibility in the future. I think that's all I'm asking for: to side with science. You still have control of the regulations for emissions through the Ministry of the Environment, and it gives you that option—it doesn't exclude you from breaking another promise 2007—231 promises; I have no problem that you'll break all of them. I understand that people expect that from you. They expect you to do the opposite of what you say. I think Mr Ramal was closer.

The Chair: Thank you very much. Any further discussion?

I will now put the question. Shall this amendment carry? All in favour? Opposed? It's lost.

1150

Mr O'Toole: I move that the definition of "renewable energy source" in subsection 2(1) of the Electricity Act, 1998, as set out in subsection 2(10) of schedule A to the bill, be struck out and the following substituted:

"renewable energy source" means an energy source that is certified with the 'EcoLogo' standard of Environment Canada."

If you're looking in your bill, you'll see that section is looking for some uniformity. Environment Canada has already set out in great detail and at great expense the EcoLogo certification process, which already has certified criteria for environmentally friendly, renewable electricity. Why should Ontario spend its time and money developing independent criteria? I think we need to have harmonization. This is a very small technical thing. The federal government has a say in the environment, as they should, because the transmissions cross borders. I think we need to adhere to the Environment Canada EcoLogo symbol.

Ms Wynne: The only point I want to make is that EcoLogo is a federal standard; it's ensconced in a federal regulation. Our decision is that we want to keep those important definitions in our own purview. We may come up with a better definition. So we're going to keep that within the purview of the Ontario government.

The Chair: No more discussion?

All in favour of the amendment? Opposed? It is defeated.

I would now ask if schedule A, section 1, as amended, carry.

Ms Churley: Recorded vote.

The Chair: Absolutely. All in favour?

Ayes

Craiton, Fonseca, McMeekin, Ramal, Wynne.

Nays

Churley, O'Toole.

The Chair: Schedule A, section 1, as amended, has carried.

It's about five minutes to 12. If we conclude our clause-by-clause tomorrow afternoon by 2:30, we have the opportunity to take a tour of the Independent Electricity Market Operator's control system in Clarkson. What we would do is that the tour would begin at approximately 3:30 tomorrow afternoon. Assuming the committee finishes its work, we would depart at 2:30 tomorrow afternoon and then we would come back here when we conclude the tour. This tour was suggested as part of the committee's opportunity to see various aspects of the electricity operation in the province of Ontario. I know members did take the opportunity to visit Darlington after we concluded our deliberations in Orono. So I put that out to members of the committee to seek some guidance.

Mr O'Toole: I'm very anxious to visit the Clarkson station. I would say that, given the progress we've made to date, it could be a little after 2:30 tomorrow, but I'm very interested. Couldn't we do it some other time?

The Chair: We may have to arrange for another time, Mr O'Toole.

Mr O'Toole: Yes. I'm happy to do due diligence on this bill.

The Chair: I think the key issue, if committee concurs, is that we should take this tour. We may have to arrange it. Ms Churley, did you have a—

Ms Churley: No.

Ms Wynne: I certainly would like to make that visit. If we can move through the amendments today and tomorrow, it would be great to do it tomorrow, but otherwise we'd do it at another time. Is that possible?

The Chair: That's fine. I appreciate the committee's observations and support on that.

We'll come back at 1 o'clock.

The committee recessed from 1155 to 1307.

The Chair: We'll bring the standing committee on social policy back to order.

Next, we'll deal with section 2. Mr Clerk, could you just give an explanation there?

The Clerk Pro Tem: At page 11 of the collated package of amendments, members will find a proposed amendment to add a new section, section 2.1, to the bill that is not itself an amendment to section 2, which should be dealt with first, before the committee moves on to the amendment on page 11.

The Chair: OK. I now call section 2.

Those in favour of section 2?

Ms Wynne: He's moving the whole section because there are no amendments.

The Chair: No amendments. Yes.

All in favour? Opposed? It's carried.

Ms Wynne, please.

Ms Wynne: I move that schedule A to the bill be amended by adding the following section:

"2.1 Part I of the act is amended by adding the following section:

"Minister's advisory committee

"3.1(1) The minister shall establish an advisory committee to provide advice to the minister on such matters relating to electricity as the minister may specify.

"Appointment

"(2) The minister shall appoint the members of the advisory committee."

The way the bill is written now, there could conceivably be three advisory committees—there certainly could be two—and what this amendment does is create a single advisory committee. We heard from a number of stakeholders that it would be cumbersome to have a number of advisory committees. So what we're proposing is that there be one advisory committee that would advise the minister on the whole electricity sector. This actually streamlines and simplifies that process. The other issue would be finding enough people with the expertise to be part of two or three advisory committees. We're proposing one with this amendment.

The Chair: Further discussion?

Mr O'Toole: Yes, I have some questions. The first is technical: Is it in order? Second, given that it is in order to move this, what would the composition be? I'm more interested in making sure that consumer advocates are part of that process.

Ms Wynne: I believe the amendment is in order. As far as I know, we haven't been told that it's not. Second, as you can see, the minister would appoint the members of the advisory committee. The bill doesn't specify what the makeup would be.

Mr O'Toole: Well, there are other sections in the bill that deal with the minister's power to appoint, and there are amendments with respect to that. I'm interested in making sure that appointments to committees are reviewed by the agencies, boards and commissions committee—the statutory committee. As you would have said in opposition, they are political appointments, and as such, they lean to their appointer.

Ms Churley: I would support appointments by the minister being subject to the committee that looks at appointments. I didn't sit in on much of the committee hearings, and I wonder if you could tell me, if you can remember, which groups were concerned about all the different advisory groups.

Ms Wynne: I'll get that for you. I don't have it at the top of my mind, but I'll get that for you.

I just wanted to address the issue of timing. We need to get these bodies set up, and going through a lengthy standing committee process isn't going to work. We need to get these advisers in place.

Ms Churley: I wonder if we could stand down voting on this while you get the information. Quite frankly, I'm saying that I don't know enough about this area of the bill to know all the implications of what we're doing—getting rid of some advisory committees or consolidating them all into one. I must say that on the surface it makes sense to me, but I'm a bit concerned about the implications. Either that or I could abstain from voting; I guess that would serve the purpose as well. Maybe it would be easier on everybody, wouldn't it?

Ms Wynne: I'll leave that up to you. I will get the information for you, in terms of who has suggested this. I think there's a common sense aspect that setting up a number of advisory committees to deal with the electricity sector would probably be redundant. That's why we're putting forward this amendment.

The Chair: It would take unanimous consent to stand something down.

Ms Churley: I might be OK, but I just want to let you know why I'm expressing some interest and concern on this. New Democrats believe—in fact, we don't like the body you're setting up to look at conservation. We believe that should be—what is it you call it?

Ms Wynne: The conservation bureau.

Ms Churley: We believe it's a mixture of what we proposed and some of your own ideas and things, but we're not satisfied with that, and I believe I have an amendment on that. It's within that context that I'm asking, because I want to make sure there is good representation if there's just one committee advising the government. I come back to my initial statement that our overriding interest is more conservation and efficiency, and that it's our preference that there be a real focus on that. With the conservation bureau as it's being proposed here and not knowing who's going to be on this advisory committee, I'm concerned about whether it's in my interest to support just one within the context of what you're proposing for the conservation bureau. That's why I'm concerned about it. I might therefore want to see a special advisory committee on conservation and efficiency if I don't feel comfortable with this bill as it's now proposed.

Ms Wynne: I guess my response is that you're probably not going to get the level of specificity you want and exactly who's going to be included on the advisory committee, but I take your point that what you want is a broad cross-section of people and you don't want people who are self-interested.

Ms Churley: Yes, and I want to make sure there's a solid representation from the experts in the conservation and renewable energy and efficiency side, so that the balance is not tipped the other way.

Ms Wynne: I guess the evidence that we are interested in that voice being heard is the fact that we've created in the legislation the conservation bureau. I know there are some issues around that that you are bringing to the table, and we'll have that discussion later, but I think it's clear from the legislation and from the environmental groups that have talked to us that we're moving toward conservation initiatives. That's part of what we're doing. So it's highly unlikely we wouldn't have people who are concerned with those issues as part of our advisory committees.

Mr O'Toole: It's good to have this, because it's added and it's new. The two advisory committees you're referring to are the one for the IESO, as well as the conservation bureau. Is that correct? They're the two advisory committees that are established in sections 13 and 25.

As such, there are some comments with respect to the independence of the conservation bureau and the role of the Ontario Energy Board. A systems operator has a mandate that is somewhat in conflict with the conservation bureau. That's the issue here that I see. Without having had time to preassess this amendment, I would like some kind of terms of reference, at least, that clarify that this isn't just another committee, if we're going to have one that's on the IESO side as well as the conservation bureau side; some sense of the terms of reference of this advisory committee, given that these two things are somewhat in conflict, in some people's view. They want the conservation bureau to be more independent and more complete and the role of the Ontario Energy Board strengthened to address conservation as opposed to just price. We heard that input actually; a lot of it. The IESO role is to basically make sure the system is capable, I guess. Just the terms of reference would be neat. You must have that.

Ms Wynne: I don't have the terms of reference of the advisory committee. I think Mr O'Toole knows that.

It only stands to reason that a minister and the bodies that are being set up need to have people with expertise, people who understand the sector to advise them and give them their best thoughts on where they're going and the decisions they're making. I think this is an eminently reasonable body to set up. I take the point from Ms Churley that she wants to be assured that what we're looking for is a broad base of expertise brought to the table. I think that's absolutely fair, and that's the intention.

Mr McMeekin: I appreciate Ms Churley's generic comment about wanting to know a little bit more and her specific reference to which groups may have made representation. I had forgotten this, but our very esteemed researcher drew to my attention that that was incorporated into their notes around the presentations. On page 9 of the summary, as well as on page 18, there are some nine different groups that made representations. Some of them said, "You shouldn't have anybody with a vested interest on the committee." Others said, "You should only have people with a vested interest on the committee." Others were a little bit more balanced and said—just a quick scan of the comments—that it should be a broad range of consumers, alternate energy people and what have you.

1320

Obviously, at some point the minister is going to have to make some decision. Knowing the minister as well as I do, I suspect he's going to want to ensure that there is a broad range, but people who aren't so specifically inclined to one thing that they'll be unabashed advocates only of that at the expense of the kind of consumer protection we all want to see there as well.

I think that's why there's the move to have the minister do that, and I think there's some wisdom in that. I wouldn't normally argue this, but in this case, with respect, I think what we're hearing from a number of people is that they want to see the government take some clear leadership and outline some direction here. I don't

think there's any better way to ensure that happens than to have the minister directly accountable for the people whom, in this case, he appoints to that committee. Based on the history that the advisory committee will forge in the years ahead, he will have to wear whatever that committee comes up with. I think that's political accountability of the first order.

The Chair: Any further discussion?

Mr O'Toole: Just one thing. If I go through and look forward on to the establishment under the IESO, 13.1 on page 8 of the bill gives the minister the power there. Are we saying, going forward, that you're going to delete those sections?

The other one, of course, is on page 16. It's section 25.11, which is the conservation bureau advisory committee.

Are those going to be deleted, or are we going to have an additional advisory committee?

Ms Wynne: Could you just repeat the last part of what you said? I apologize.

Mr O'Toole: Are you planning to delete the other existing advisory committees in section 13 and section 25.11?

Ms Wynne: We're suggesting that there would be one advisory committee, yes.

Mr O'Toole: Why don't we incorporate that into the amendment? We could amend that by specifically—maybe it's done.

Ms Wynne: I think I'd prefer to go through the amendments as they've been written, one at a time.

Further to the discussion about why one and not two, I just think what we're looking for is a broad range of people with expertise to come to some consensus on the issues they're advising the minister on, rather than having two bodies that might actually bring opposing views. We want to build a consensus wherever we can.

I think we'll go through the amendments one at a time, if that's OK.

Ms Churley: Thank you for the explanation. As I said earlier, we believe the proposed conservation bureau should be more of an independent organization. Given that it's not—and we'll see if my amendment passes a little later—I'm concerned because of the existing proposed structure. Therefore, I'm not going to support this amendment for that reason. It is a little awkward—sometimes this happens, in terms of where amendments are placed. Should my amendment pass, it would almost make this one moot, because they then wouldn't be reporting to the Ontario Power Authority; they would be independent. But under this, they will be.

Mr McMeekin: If your amendment were passed.

Ms Churley: Exactly; later on. But I'm guessing that it won't, for some reason. I should say that the New Democratic Party doesn't like this structure as proposed, and therefore I have some real concerns about accepting this motion as it is without my amendment being passed.

The Chair: Any further discussion?

All in favour of the amendment? Opposed? The amendment is carried.

Item 12, Ms Churley, is yours.

Ms Churley: I move that clause 5(1)(g) of the Electricity Act, 1998, as made by subsection 4(1) of schedule A to the bill, be struck out and the following substituted:

“(e) to terminate the IESO-controlled markets in accordance with the regulations.”

The reason we put forward this very important amendment is because of our—

The Chair: Ms Churley, if I could just interrupt for a moment, I just looked at my schedule here. There are no amendments to schedule A, section 3. I'd propose that we deal with that first and then—

Ms Churley: And then we'll come back. OK.

The Chair: All in favour of schedule A, section 3? Opposed? That's carried.

Ms Churley: Do I need to read this out all over again?

The Chair: Yes. Sorry; I apologize. Go ahead.

Ms Churley: I move that clause 5(1)(g) of the Electricity Act, 1998, as made by subsection 4(1) of schedule A to the bill, be struck out and the following substituted:

“(e) to terminate the IESO-controlled markets in accordance with the regulations”

You all know our concerns about the spot market. The Liberals used to share those same concerns when in opposition. What this amendment would do would add the termination of the spot market as an object of the new Independent Electricity System Operator. The spot market adds uncertainty and drives up price, and we've seen already that it has failed to induce new private sector investment in generation. As I said, before the election the Liberals said that the market was dead—as Mel Lastman said, “D-e-d, dead”; you probably would have spelled it d-e-a-d—and that they would not bring it back. Now, of course, while in government, it has been brought back. This is a complicated area to get into—and I'm relying heavily on Fred's notes for this piece—but when you look at what's involved in the spot market, the remaining generation, after a whole bunch of the other things that happen, will be subject to an odd mixture of the spot market and fixed-price contracts. There's just a lot of concern about keeping that in there. I'm not going to go into all of the explanations, but we would just like to see that struck. The evidence is there. You saw it when in opposition. We continue to see it that way and would like to just eliminate it.

Ms Wynne: I think we've made some of these arguments before. This amendment is not consistent with our vision of a balanced hybrid market. That's why I won't be supporting it. There's no argument that there's complexity here. But that's what we're trying to do, and this is not consistent.

The Chair: Further discussion? I'll now put the question. All in favour of the amendment?

Ayes

Churley.

Nays

Craitor, Fonseca, McMeekin, Ramal, Wynne.

The Chair: It is lost.

Continue, Ms Churley.

Ms Churley: I move that subsection 5(1) of the Electricity Act, 1998, as made by subsection 4(1) of schedule A to the bill, be amended by striking out “and” after clause (f), by adding “and” after clause (g) and by adding the following clause:

“(h) to operate the IESO-controlled grid in a manner that ensures protection of the environment and public safety.”

This, once again, adds the additional environmental and public safety clause to the objects of the IESO. My explanation would be the same as previous ones: that where possible, when possible, over and over again we need to be reiterating these additional environmental and public safety clauses to the bill.

The Chair: Discussion?

Ms Wynne: We've already proposed safety and sustainability in the purposes section, and I think it covers this.

The Chair: Further discussion?

All in favour of the amendment? Opposed? That was defeated; it's lost.

The Chair: Since there are no amendments to schedule A, section 4, I would ask: All in favour of schedule A, section 4? Opposed? It's carried.

There are no amendments to schedule A, section 5. I would ask: All in favour of section 5? Opposed? It's carried.

We will now go to schedule A, section 6.

1330

Mr O'Toole: I move that clause 7(2)(b) of the Electricity Act, 1998, as set out in section 6 of schedule A to the bill, be struck out and the following substituted:

“(b) 10 additional individuals who are appointed by the Lieutenant Governor in Council and ratified by the standing committee on government agencies.”

If I may, I think I mentioned earlier these advisory committees being reviewed by an appropriate legislative committee and that all appointments to the board of the IESO be done in an open and accountable fashion, subject to review by the legislative committee on government agencies. The government has the mandate here, through the minister's appointment process, to bring forward a list of names. It's just a mechanism to ensure that even though you have gone to some extent in the bill to restrict membership to persons who may have a real or perceived conflict—I don't think there would be any problem with having it reviewed, unless they're just political appointments.

Ms Churley: I support, and I assume we all would, the standing committee on government agencies ratifying the 10 additional individuals. How does that relate back to the previous Liberal amendment that was passed?

Mr O'Toole: Those were advisory committees.

Ms Churley: OK, so this is?

Mr O'Toole: This is the actual IESO.

Ms Churley: I see.

Mr O'Toole: The same amendment will apply to the appointment of the directors—

Ms Churley: I understand now. I certainly do support that.

Ms Wynne: We're in a situation right now where we're trying to climb out of years of mismanagement in this sector and we need to move expeditiously. The problem with the process Mr O'Toole is suggesting is that those appointments are dependent on the House schedule. Quite frankly, we need to move more quickly than that to get this sector moving and to get these bodies in place. That's why I won't be supporting this amendment.

Ms Churley: The Legislature is, of course, coming back very soon. I actually believe it's in the government's interest to have such important appointments as those reviewed by a committee. The government keeps stating all the years of mismanagement before and that they're trying to use this as an opportunity to clean it up. It's all the more important, especially because they're political appointments, that a committee, albeit with a majority of Liberals—at least that committee, with other party representatives, should have a chance to look at those and ask some to come forward, if we deem it necessary, and at least have our questions and concerns dealt with. I don't think that's too much to ask. I also believe it's in the public interest to have such important appointments reviewed by the whole Legislature.

Mr O'Toole: I don't like to belabour these things, but we've had a surprise amendment here with these advisory committees and we don't have the terms of reference, we don't know who they are, what ridings they ran in or whatever—because they will be political appointments. Now we have the actual governing council, if you will, or the board of directors. What we're suggesting is that there be some appropriate oversight to this process.

Ms Wynne said we haven't got enough time. Well, in drafting the legislation, you gave the minister so much power in regulation and appointments to all these diligent officials. To say now that you don't have time, after the years of waste, much of which started under the Peterson government, you might recall—when I was a regional councillor they delayed the Pickering and the Darlington stations and the debt of Ontario Hydro then doubled basically because of inaction.

What I am suggesting here, and I mean this in a non-partisan way, is some mechanism to review the appointments of the minister. You're going to appoint a whole bunch of people here. They're going to appoint 10 members plus a CEO plus a board of directors and 10 other individuals appointed by the minister for this committee—IESO—as well as other governing agencies under the OPA and the others. You'll be appointing the CEO and chair of all the major committees—the energy board, the OPA, the IMO, all of them—and the oversight and the consultants. It might be appropriate here to have some public opportunity to review the appropriateness of Manley when he did his review of Pickering. Of course, he was a Deputy Prime Minister and he had to have a job because he got bumped out of the leadership thing. I understand that. He had no chance of winning; Paul Martin knew that. So Dalton got him a job.

Is that what we're going to end up with here? A bunch of these kind of appointments? I don't question their ability. It's a question of their objectivity. I'd hate to think that your commitment to transparency and accountability are being forged into the backroom. Well, it's just another broken promise, so I'm not surprised.

Ms Wynne: I think the assumption that there won't be any transparency to the process is not an accurate one. Although we won't go through the long process that Mr O'Toole is suggesting, the terms of reference for the committee will be posted and they will be in draft. There will be the opportunity for consultation on them and there will be suggested membership included in that posting. So there will be an opportunity to know who is going to be serving, but we can't make this process dependent on the House schedule and the standing committee schedule because it will be too long before we start to unravel the mess that we're in.

Mr McMeekin: You know, Mr Chairman, we don't need any lectures from the other side about broken promises and about governance. We, who inherited the number of situations we're in, with people of goodwill now having to walk through the rubble and pick up all the pieces and trying as desperately as we can, despite the incredible encumbrance that we've been shackled with on several fronts—energy not being the least of these—certainly don't deserve any lecture. One should drop to their knees begging for forgiveness perhaps from time to time before pointing fingers at those who are trying to clean up the mess.

The Chair: Further discussion? All in favour?

Ms Churley: Recorded vote on this, please.

Ayes

Churley, O'Toole.

Nays

Craitor, Fonseca, McMeekin, Ramal, Wynne.

The Chair: The amendment is lost.
Number 15, Ms Wynne.

Ms Wynne: I move that subsection 7(4) of the Electricity Act, 1998, as set out in section 6 of schedule A to the bill, be struck out and the following substituted:

“Restriction on persons who may be directors

“(4) No person who is a member of a class of persons prescribed by the regulations may hold office as a director of the IESO.”

Bill 100 currently lays out the restrictions on people who can serve as independent directors. What this amendment provides is that that enumeration be done in regulation. We've had advice that the exclusions regarding independent directors as they're currently drafted may be too broad and in fact we may not be able to find people who actually qualify. So because of those severe constraints, we need to basically go back to the drawing board and redraft what those exclusions should be. We'll

put those into regulations, based on the input we've gotten from people in the sector.

Mr O'Toole: I understand the minister and/or the government have power to appoint and bring forward these people. There was every attempt here—as I said earlier, the independence of the directors was quite graphically—it's not just subsection (4). Anybody involved in the market, either on the generation or the legal side or wherever, could be one of the directors. I wondered as well, when I read that section, who in the heck are they going to get? They all make super incomes, so who are you going to get that's going to give up these huge jobs with some other consulting firm to come on board here for some stipend? Now, by regulation, you're going to be able to describe who can be appointed.

1340

I know that there are many retired deputy ministers that live in my own riding. Some of them were ministers of energy; some of them were ministers of natural resources. I don't want to question their entitlement to their pension or anything like that. They're very knowledgeable people and very skilled people. But do we have any idea of what they'd be making? We're giving you a blank cheque here in this whole section.

You're going to describe, by regulation, who may hold office in the IESO, which clearly exempts almost the whole subsection 4, which says, "No person may hold office as a director ... if he or she is a director, officer, employee or agent of,

"(a) a generator, distributor, transmitter....

"(b) a person who sells....

"(c) a market participant;

"(d) an industry association that represents a person...."

Almost all of these people are members of associations today, whether it's the IPSO or 50 or so different organizations. So now you've got the blank cheque. Well, I need to look back on our previous amendment, which you defeated—Ms Churley and I voted for it—for any kind of oversight at all by the public. The public is just going to be ignored and abused here. Do you realize what you're doing, the new members here especially? I know you have the majority, and I know it will pass. I know you'll ram it through. You'll bully us to the end. But it's "by regulation." Well, what are the regulations, then? You have no answer to that. You'll table it later on. How can I support it?

Ms Wynne: I think what I said was that the exclusions we set up were severe, and we want to be sure that we can get people who have the experience they need to be able to do the job. The regulations are not private, Mr O'Toole. You will know what the exclusions will be, and I think that you can see from our initial go at it that we're trying to be very careful. We will continue to be very careful, but we have to have people on these bodies who are able to do the job, who have enough expertise to do the job. So that's why we're going to go back to the drawing board and make sure we get it right.

Mr McMeekin: I'm not a big, big fan of governance by regulation. I note that there are times when you need

to move in that direction. We've done it very seldom on this side of the House. I know, with previous governments, it seemed to be the order of the day. Ninety percent of everything that happened in the previous government was done without any public input at all. You didn't listen to 144 people about energy policy, and certainly didn't speak at all to regulations.

This one, though, has come about as a direct result, I think Ms Wynne would attest, of some of the input that we heard from people and some of the fears that that generated, that people with a clear potential economic interest would—in fact, they said quite clearly that people who would stand to benefit from this wanted to be included in the group.

The government has said, I think it would be fair to say, that we want to make sure in advance that we don't let that kind of situation creep in. So that's why we're trying to be somewhat prescriptive in declaring that, prior to putting the regulation in place. We want people there who can come to the table with straight eyes and clean hands and don't stand to benefit directly from decisions. We want to have people there who bring expertise to the table, who can assist the minister, the government and, ultimately, the people of Ontario to ensure that their best interests are taken care of, and not somebody else's best interest.

The Chair: Ms Churley, yes, you're next.

Ms Churley: As you can see, I've been replaced by my esteemed colleague, Rosario Marchese.

Ms Wynne: You're irreplaceable.

Ms Churley: I know I'm irreplaceable. He will be taking over from here.

Mr O'Toole: You were on television.

Ms Churley: He just finished.

I do want to say that I will not be supporting this. Although I understand the implications of being so restrictive that you can't get experts, I fundamentally and on principle don't support having this aspect of such an important piece of legislation being done by regulation. It may turn out that I accept your regulations on this, or it may not. But I would have much preferred to have the existing draft legislation amended so that some of the problem areas could be fixed but not the whole thing thrown out. Therefore, I can't support it and would like a recorded vote.

The Chair: Any further discussion? Just let my colleague the clerk—he needs to be—

Ms Churley: Sworn in?

Interjections.

Mr Rosario Marchese (Trinity-Spadina): Can I ask for unanimous consent to do that?

The Chair: We'll deal with this amendment first.

Ayes

Craitor, Fonseca, McMeekin, Ramal, Wynne.

Nays

Churley, O'Toole.

The Chair: That's carried.

Just before we deal with Mr Marchese, shall schedule A, section 6, as amended, carry?

Mr O'Toole: Mr Chair, on a general note—I'm speaking in a general sense to the section of the bill—I want to put on the record the Ontario government's election document called More Democracy in Ontario. That document clearly says:

"Accountable agencies and appointments

"We will lift the veil of secrecy on government agencies and appointments."

It goes on to say in this three-page document:

"We will empower a legislative committee to question the heads of these government-owned agencies on an annual basis.

"In addition to appointing qualified individuals to fill these roles, we will publicly disclose the annual payments...."

Is this yet another charade before the people of Ontario? You've now completely altered the intentions of section 7 of this bill and section 8(2) of the Electricity Act, the appointment of the IESO. I haven't looked ahead, but I expect you're going to do the same thing on the OPA, the energy board. What you've done is exempted them from orders in council; you've exempted them from any source of scrutiny. We have no idea of the terms of reference or their mandate. Much of this, in my view—I refer this to the clerk—conceivably could be out of order with the intent and the sentiment of the bill itself.

I make this statement because this has to be on the record. This is your election document, which talks about the "veil of secrecy" and all this stuff. This is an absolute affront to everything you brought to the people of Ontario.

Ms Wynne has made reference to the point that there's going to be a great haste and a great hurry here. At the moment, there are only three draft regulations on the energy minister's Web site, which I've been following with some rigour because I know the importance of this public policy area and I understand how we've got to work quickly and effectively.

I support the intent of Bill 100, in a general way. They haven't acknowledged one of my amendments, even to this oversight that I'm requesting. I can't support this section, and it seems we've run afoul of any attempt to find harmony.

Ms Wynne: I'm just trying to follow Mr O'Toole's meandering here. Has he gone back to the previous—which section is he addressing, Mr Chair?

The Chair: We haven't voted on schedule A, section 6, as amended, yet.

Mr O'Toole: We haven't voted on it yet, Ms Wynne. You've got to pay closer attention.

Ms Wynne: I was trying to pay attention, Mr O'Toole. It is a challenge. I find it a challenge.

The Chair: Mr O'Toole was making general comments on schedule A, section 6.

Ms Wynne: OK. Thank you very much, Mr Chair.

Mr Marchese: I know I missed a lot, and I'm going to be speaking to the comments I just heard from Mr O'Toole. We did have some people coming before our hearings who talked about this, and I must admit I share the view that if we're going to make appointments, it would be, for the purposes of transparency and scrutiny, very philosophically and politically good to submit members who would otherwise be appointed to a committee process.

1350

We all understand that the government has a majority and that they would obviously be able to nominate their appointments. So the government doesn't have anything to fear with respect to whom they would eventually appoint. But the motion the PC member made—the previous motion on section 7—I think was a very useful one that I believe we should have been supporting. I think it's a mistake for the members to have defeated that amendment, and I suspect they may continue to do so with other appointment processes that are coming up. I know the PCs have another motion, but I wanted to speak to that and say that they're making a mistake and we'll speak to it again as we come to it.

Ms Wynne: If I could just clarify: I believe, in what Mr O'Toole said, that he implied we were striking out all of section 7. I think that's what he was saying. It's only subsection 7(4) that was amended by the previous amendment. So all the other sections still apply. It was simply the restrictions on membership that are being moved to regulation. I just wanted to be clear about that.

The Chair: Any further discussion?

Shall schedule A, section 6, as amended, carry? Opposed? It's carried.

Mr Marchese: Could I move unanimous consent to allow me to vote on these matters? I understand I was replaced and I—

The Chair: You're not properly subbed in.

Mr Marchese: Exactly.

Mr O'Toole: Just for clarification, who is the permanent member of the committee? I thought it was Michael Prue, or is that the other committee I'm on?

Mr Marchese: I am, but since I was replaced—

Mr O'Toole: It's Ms Churley. She's properly subbed. Was she subbed?

The Chair: She was.

Mr O'Toole: OK, I've got it.

The Chair: All in favour? Carried. There you go, Mr Marchese.

Mr Marchese: Thank you.

Mr O'Toole: I was supposed to be on, but—

Mr Marchese: You were duly represented.

Mr O'Toole: I know I was, by Cam Jackson.

The Chair: Mr O'Toole?

Mr O'Toole: Pardon me.

The Chair: We won't worry about what shows you're on.

Mr O'Toole: This is a much more important show, actually, at this time.

I move that subsection 8(2) of the Electricity Act, 1998, as set out in subsection 7(2) of schedule A to the bill, be amended by striking out "appointed by the minister" and substituting "appointed by the Lieutenant Governor in Council and ratified by the standing committee on government agencies."

Clearly, this is just restating what I said before. The attempt here is to circumvent any sense of public scrutiny. I gather I'm probably going to see another government motion exempting any scrutiny of the minister's ability to appoint his cronies. I think that pretty well sums it up. The purpose of this amendment is to add transparency and accountability.

I'm holding the government accountable to their Government That Works for You document issued prior to the election: "Accountable agencies and appointments." It goes on to say:

"Ontario Power Generation controls assets valued at over \$16 billion. The LCBO receives over \$2 billion in ... revenue. The Ontario Realty Corp...."

"We will end the lack of transparency and accountability these organizations enjoyed under the Harris/Eves government...."

"We will empower a legislative committee to question the heads of these government-owned agencies on an annual basis."

"In addition to appointing qualified individuals ... we will publicly disclose the annual payments—not just per diem rates...."

They go on to say—Mr McMeekin is nodding "yes." He may be whipped into voting no—I understand that—but for the record, he's nodding that he agrees. And yet he's going to vote against. The sentiment here is for accountability and transparency.

Interjection.

Mr O'Toole: This is your opportunity to step forward on that limb of hope and vote the way you feel and think.

Mr McMeekin: We won't appoint anybody to go on yachts at public expense. Those aren't the kind of cronies we want to—

The Chair: Discussion, please.

Ms Wynne: As Mr O'Toole said, we've been over this ground. I think we made the argument about needing to move expeditiously, because we are climbing out of a mess in this sector and we've got to get these bodies in place. So I won't be supporting this amendment.

The Chair: Any further discussion?

Mr Marchese: I just want to make the same argument as I did just a few minutes ago. I don't think that moving expeditiously is a reason not to provide as much transparency as possible. I think it's important for members here of a committee to be able to ask questions of appointments to this sector or any body that they're applying for. It would give us the opportunity to question them and then the opportunity to defend why they should be there, as we do with so many other appointments. I think that kind of public scrutiny and transparency is good for everyone. So to appeal to a sense of urgency, ie, "We've got to move on," as a way of saying we don't have the time to be able to engage in some other process

I don't think is a good argument. I think it's weak and indefensible.

The Chair: Further discussions?

I will now call the question.

Mr O'Toole: Recorded vote.

Ayes

Marchese, O'Toole.

Nays

Craitor, Fonseca, McMeekin, Wynne.

The Chair: It's lost.

I will now ask, shall schedule A, section 7, carry? All in favour? Opposed? It's carried.

There are no amendments to schedule A, section 8. Shall it carry? All in favour? Opposed? It's carried.

We could move, then, schedule A, sections 9 and 10, since there are no amendments. All in favour of those two? Opposed? They're carried.

Schedule A, section 10: If there are no amendments we'll move that. All in favour? Opposed? Carried.

We'll now go to Mr O'Toole.

Mr O'Toole: I have a proposed amendment here, moved by myself.

I move that section 12 of the Electricity Act, 1998, as set out in section 11 of schedule A to the bill, be amended by adding the following subsection:

"Same"

"(2) Despite subsection (1), no delegation of powers or duties shall be made to a person who is ineligible to hold office as a director of the IESO by reason of subsection 7(4) or to a body that is an entity referred to in that subsection."

I bring this forward, fully aware that they negated subsection 7(4) previously, so it may indeed be out of order now.

Interjection.

Mr O'Toole: It's not? That's good. Under the act there are several restrictions on board memberships to ensure that no person of undue influence is able to influence the operation of the IESO. Should the board delegate any of its duties or responsibilities to another body or individual, selection should be held to the same criteria.

We've gone through with this hasty amendment earlier on, in section 2, I think it was, the advisory committee. So you're going to have this organization, the Independent Electricity System Operator, and there are going to be some political appointments, making who knows what, doing who knows what, costing—all the money that comes in is from the one person, you and I, primarily the consumer and their household. Now we've got these advisory groups as well.

1400

What we're trying to do here is to make sure that the responsibilities—that there's some consistency for this

review of those appointments. You voted down my previous amendments, which I've said is contradictory to your public election document. So I'm beginning to become somewhat hardened to the reality that you're going to vote against most of our amendments. That's really discouraging. I thought we were going to make power here for the people, not just for the Liberal government.

Ms Wynne: Just a quick point: Our concern here is that we need to draw on expertise from a wide range of experts and people who have experience in this sector. If there are too many restrictions on these groups and committees, then we're not going to be able to do that. I think we've made that point previously.

The Chair: Further discussion? I shall now put the question.

Mr O'Toole: Recorded vote.

The Chair: All those in favour of the amendment?

Ayes

Marchese, O'Toole.

Nays

Craitor, Fonseca, McMeekin, Wynne.

The Chair: It's lost.

Mr O'Toole: I believe that Mr Craitor had his hand up on the positive side.

Mr Kim Craitor (Niagara Falls): I was scratching my nose.

Mr O'Toole: I retain hope for Mr McMeekin and Mr Craitor. They're still listening; I can tell.

The Chair: We'll move on.

Shall schedule A, section 11, carry? All in favour? Opposed? It's carried.

There are no amendments to schedule A, section 12. All in favour of schedule A, section 12? Opposed? It's carried.

Schedule A, section 13.

Ms Wynne: I move that section 13 of schedule A to the bill be struck out and the following substituted:

"13. The act is amended by adding the following sections:

"Staff and assistance

"13.1 Subject to the bylaws of the IESO, a panel established by the board of directors may use the services of,

"(a) the IESO's employees, with the consent of the IESO; and

"(b) persons other than the IESO's employees who have technical or professional expertise that is considered necessary.

"Stakeholder input

"13.2 The IESO shall establish one or more processes by which consumers, distributors, generators, transmitters and other persons who have an interest in the

electricity industry may provide advice and recommendations for consideration by the IESO."

This amendment requires a panel to obtain consent of the employer, ie, the IESO, before they may access assistance from staff. It also creates an obligation for the IESO to consult with stakeholders in the course of its work. It's an important amendment. I think we need to acknowledge that it should be there.

Mr Marchese: Let me just ask a question. Why is it that we found there is a need to do that—ie, before someone does something as an employee, that they would need approval by the IESO? Why have you found a need to do that? Is there something that happened in the past that would oblige us to put this in the bill? Is there a reason, then, that—

Ms Wynne: I believe that it mirrors other sections. Have we got ministry staff who can elaborate on that? Would that be all right, Mr Marchese?

Mr Marchese: Yes, of course. I'm just trying to understand. I understand the idea; I'm wondering why we're doing it. Presumably it's because we might have experienced a problem before where somebody did something without the approval of the board and therefore possibly got them into trouble. I'm assuming that's part of the reason.

Ms Wynne: Can we just give them a minute and they'll respond?

Mr Marchese: Sure.

The Chair: When the ministry staff respond to that question, I'd just ask that you identify yourself for Hansard, please.

Mr O'Toole: While they're preparing their response: I would like to think that on this section I am somewhat appreciative of why they're moving it. It goes back to the issue of the number of experts and the new organizations they've got and the clarity of what the role of the new IMO is and what the role of the conservation bureau is. Many of the experts will be moved within the Ministry of Energy or some of these agencies that exist today.

The IMO have some terrific people. I've had the privilege to read some of their Web sites and the content. They actually do all the technical work. So if the person is a rate expert, they're going to have to be consulted without upsetting the apple cart. I support the need to consult these experts.

I also support the shareholder input. You've mentioned consumer groups. I'm in favour of that because, at the end of the day, there will be all kinds of seniors groups and other advocacy groups that have to be consulted. Otherwise, they aren't going to be able to understand the reasons for the changes. So this is a good thing.

But it goes back to the original amendment, number 11. When you've got these advisory groups and you've got subgroup advisory to the IESO, as well as the others, there's not much clarification in this. There are some drafting issues here that I have some problems with. I don't have a problem if you're legislatively allowing yourself to consult broadly and making sure there's not undue conflict of interest.

I understand there's limited expertise etc, but at some point in time—this is the only time I've seen the consumer being legislatively engaged in this process. At the end of the day, these are the people who really—whether they're large consumers or small consumers, their need of a product that's not like any other product—you can't operate your steel plant or your car plant without it, and you can't operate your home without it. And price is a big determinant on who uses how much when.

So you're going to have a lot of very complex engagement. I think you could have been better with your other amendment to allow the minister to consult under some terms with advisory groups, as necessary. Bingo.

Mr Marchese: If I can, Kathleen, I'm going to ask the same question connected to 13.2. "The IESO shall establish one or more processes by which consumers, distributors, generators" and so on, "for consideration" and so on. Why do we need in the bill such an enabling kind of clause? Don't they have the power to do that anyway? Why do you need an enabling clause rather than their own ability to do that when they want? I mean, they can do that. Just again, as a question, why is it that you would need it?

Ms Wynne: I'm going to ask staff to address that issue but, as Mr McMeekin is saying in my ear here, we were asked many times over for these bodies to have input by stakeholders who came and spoke to us. So we're making it clear that we need these groups to be able to talk to as many people as possible. But I want you to hear the technical argument for that, OK?

Ms Rosalyn Lawrence: Hi. My name is Rosalyn Lawrence. I'm the director of consumer and regulatory affairs at the Ministry of Energy. If I've ordered them correctly, I'm responding to two separate questions. Mr Marchese, I believe you asked about the amendment that added the consent-of-the-employer section. That was put in to parallel what is currently in the act right now with respect to the market surveillance panels, access to staff of the IMO. That requires the consent of the employer. That has been taken over to the OEB with the transfer of the market surveillance panel to the OEB. So this is intended to mirror that.

Mr Marchese: I understand what you're saying in terms of what it's intended to mirror. I'm just asking for an explanation as to why it is needed, because my assumption is, it's possible some employee may have done something in the past without the approval of the board and that got that individual into trouble, possibly—or the board. This is a protection for the board, presumably, so that if an employee is to do something, they have to check in first with the authority, so to speak? Is that it?

Ms Lawrence: I think it's a very basic management construct that the panel's access to staff doesn't impede their day-to-day responsibilities, that that's managed and those can be re-delegated if it does.

Mr Marchese: What this does, however—now that you have it in law like this, an employee could not presumably do or say anything without the approval of the board, effectively possibly shutting them down or silencing them. Is that possible?

1410

Ms Lawrence: I wouldn't say it's possible. I think the legislation or the amendment is drafted in the same permissive language, which entitles the panel to the expertise of staff and other persons. It is about the management of their time.

Mr Marchese: Thank you. I was just curious.

Mr O'Toole: I appreciate your explanation, I genuinely do, because I felt that that existed, as you describe the market surveillance, in the IMO role. There's a lot of overlap between these various—whether it's the energy board ruling and needing clarification on rules, or we may need to consult the person who wrote the rules. So this just clarifies who can tell whom what under some kind of statutory authority and, as you say, management's prerogative to say, "Look, I'll answer this" or Dave Goulding will answer it, or whoever. Is that right? So it exists already?

Ms Lawrence: Yes, it does.

Mr O'Toole: So it's lifted from—

Ms Lawrence: From the Market Surveillance Panel provisions.

Mr O'Toole: —the Harris-Eves era of good government, right? You could maybe exempt the words "good government"; that's up to you.

Just one thing: This is important and I think Mr McMeekin should be listening to this.

Mr McMeekin: I'm coming over to get a closer look.

Mr O'Toole: A closer look; good idea.

The point I'm making here is that I am a strong believer in whistle-blower legislation. In fact, in the last term I was in the midst of drafting it. How would this work? This is hypothetical, I suppose. Many of the regulators, the people writing the rules, must just be scratching their heads themselves. If you saw inherent conflict or contradictions as a staff person and decided to, as it were, blow the whistle, would this have any encumbrance on that at all? I expect that any good government will bring forward whistle-blower protection in the future. I would be supportive of that, by the way.

Mr Steve McCann: My name is Steve McCann, counsel in the Ministry of Energy. I think the only thing that 13.1 is dealing with is that where a panel is established by the board of directors of the IESO, then it's required to get the IESO's permission to use the IESO's employees because, as Rosalyn indicated, they have other duties and they'd be caught in an awkward situation if they were reporting to two masters, so to speak. I don't think this really deals with the issue of what they can say or can't say about their professional duties. That's a different—

Mr O'Toole: Right. Under the current rules they'd probably be terminated. OK, that clarifies it. Thank you.

Mr Marchese: Just as a final comment—I thank the staff—as I read it, it appears to be designed to make sure they exercise complete control. So you appoint a panel to do something and we, the government, are worried; we don't want this panel to get out there and have legs on its own entirely, possibly. It might ask the advice and/or

assistance or work from an employee, which would be good, and it probably has been able to do it in the past anyway. But I think what this clause does is to be able to say, "OK, panel, we appointed you. You can go out and do the work, and you can work with and consult and employ our employees, but we want you to check with us first, before you do it." It's just an element of exercising a great deal of oversight and control, which says to me that there somehow are doubts, suspicion about the work a panel might be doing, and "We'd better check in on them before something goes out."

I just thought I'd put it out for the purposes of Hansard and anybody who might be watching.

Ms Wynne: I think what I heard ministry staff say is that you can flip it around and it's the permissive piece that actually allows that process to happen, allows those conversations to happen. I think you can look at it from the other angle.

The Chair: Further discussion?

I will now put the question. Shall this amendment carry? All in favour? Opposed? It is carried.

Shall schedule A, section 13, as amended, carry? All in favour? Opposed? It's carried.

If we could now move schedule A, sections 14 to 19, inclusive, since there are no amendments to those sections. All in favour? Opposed? They're carried.

We will now move to schedule A, section 20.

Ms Wynne: I move that subsection 19(1) of the Electricity Act, 1998, as set out in section 20 of schedule A to the bill, be struck out and the following substituted:

"Review of requirements and fees

"19(1) The IESO shall, at least 60 days before the beginning of each fiscal year, submit its proposed expenditure and revenue requirements for the fiscal year and the fees it proposes to charge during the fiscal year to the board for review, but shall not do so until after the minister approves or is deemed to approve the IESO's proposed business plan for the fiscal year under section 19.1."

What this does is to require the IESO to obtain the minister's approval of their business plan before making an application to the OEB for the proposed fees and revenue requirements. It also allows for public hearings before the board on the IESO's proposed budget. We need to have this flexibility in order for the plan to be put in place. The minister still has ultimate authority but the OPA and the IESO have to go to the minister before going to the OEB.

Mr Marchese: I'm assuming, Kathleen, that there's similar concern about the IESO submitting its expenditures and revenue requirements, that there are concerns about what they might do, so we have to make sure the minister reviews and approves before they do it. Are we worried about something?

Ms Wynne: I think what we're saying, Mr Marchese, is that there needs to be ministerial oversight. I think that's a responsible position to take, the minister being the elected official whose responsibility this is.

Mr Marchese: I understand oversight. Are we worried about anything?

Ms Wynne: We're just providing for oversight.

Mr Marchese: And prevention.

Mr Ramal: Prevention.

Mr Marchese: In case.

Ms Wynne: Much of the legislation that's in place in this province is to do with prevention of problems, Mr Marchese.

Mr Marchese: Prevention is beautiful.

Mr O'Toole: This is the slippery slope one here. In fact, the IESO and the OPA are all kind of new bureaucracies that are going to have operational costs and, as such, the revenue source is going to be in the fees. So what I see here is more fees, and I see that the minister has finally realized that the operational costs for these new organizations are going to be picked up and paid for by the users, which is really tax. I wish they'd use the word "tax" instead of like they did with the health premium. Is it a premium or a tax? This is a signal to the consumers of Ontario that you're going to pay higher fees, and all this amendment does is to clarify when the approval by the minister is done. It won't be done before the IESO business plan is approved, which means their budget and whether or not they'll have an operating shortfall. I can't support this because it signals higher costs for electricity, and in many cases unnecessarily so. Another government agency; another whack on the taxpayer. You use that term all the time. I just copied it from you, actually, Rosario.

Mr Marchese: I just wanted to make a point. It's interesting that John is interested in the consumer and higher fees. It's fascinating how, when we were in opposition, we used to say to Stockwell, "Look, once you're privatizing through retail, the sale of Hydro One and more privatization of the generation of power, rates are going to go up"—we said that—the Liberals helped us out. Every now and then they would say it too.

Mr O'Toole: We had the highest rates ever when you were in government.

Mr Marchese: Let's talk about that when we have time.

The Chair: Mr Marchese, you have the floor. Continue.

Mr Marchese: In relation to his remarks: So we said that once you allow the retail sector to come in, they're going to be there and they're going to gouge. They're there to make money, right? The poor consumers don't know anything about whom they're buying from or what they're buying. Most consumers don't have a clue, and they're going to get whacked. We said they would get whacked.

Stockwell, the minister at the time, would laugh at us and laugh at Howard. "No, rates are not going to go up." Do you remember that, John?

The Chair: That was Mr Baird, wasn't it?

Mr Marchese: It was Stockwell, then Baird.

The Chair: We just want to get the historical context here.

1420

Mr Marchese: But there's a progression here. They would both laugh at us, but Stockwell more so than Baird, in terms of pooh-poohing our predictions about hydro rates. Rates did go up and that's when they capped the rates, because they were afraid; they were getting into an election. You Liberals supported that cap and then you took the cap off when you got elected.

So we're worried about them, and John is right about higher rates: We're going to face higher rates. The reason for this is that you, the Liberal Party, in this case, have brought back the retail sector even though McGuinty said, "The private sector is dead. The market is dead." So you folks are bringing back the retail market and also the spot market. That will increase fees; it's guaranteed.

In relation to this particular motion, the reason I think the government is worried about this is that they don't want the IESO to charge fees that could be alarmist or that could alarm the public in such a negative way that they would turn against the Liberals. You don't turn against the IESO; you turn against the government.

Mr McMeekin: There's a plot everywhere.

Mr Marchese: It does sound like that; yes. I'm just presenting the case. You don't have to believe it, really.

Interjections.

The Chair: Mr Marchese, you have the floor. Continue your comments.

Mr Marchese: We're engaging. That's OK.

The worry is this: If the fees were to be excessive or exorbitant, the minister would then have to say to the IESO, "You can't do that. You're going to hurt us. Please control that." So they have a little chat with the boss and say, "The fees, a couple of bucks more, it's just not on; 50 cents, 70 cents, OK, we can cope with that, that's fine, whatever the amount may be."

This is designed for oversight indeed and for public perception prevention, ie, Liberals worried about how they're going to be hurt politically, and that's what this section is all about. I thought I would put that on the table, again, for the purposes of Hansard and those who might be watching, and to also give the Liberals an opportunity to redefend the position around this particular section.

The Chair: You're very kind. Mr Ramal, please.

Mr Ramal: I just want to go back to the beginning of what Mr Marchese was talking about, that we changed our position in terms of putting the cap and lifting the cap etc. I guess if you weren't here at the beginning, when the Minister of Energy opened the session, talking about Bill 100—he acknowledged 100% that our position was wrong and that we changed it in the interests of the people of this province, in terms like "mortgage our future," in terms of hydro and other things.

I want to tell you something about the fee. That's why we opened it up to a partnership with the factories, with the people of this province, with the farmers, with individuals, to come forward and produce hydro and lower the pressure on the main grid in order to help the government and the people of this province to produce more

electricity. Whatever you do in life requires service, and that service requires some cost.

Mr Marchese: Do you agree with me in terms of what I was saying, or do you disagree with me? I guess you're disagreeing, eh?

Mr Ramal: I disagree in terms of what you're talking about. You're saying that an explanation doesn't exist, because we believe in sustainability and accountability for the people of this province. Therefore, if you want to refurbish or expand, it requires some kind of cost, and that cost has to come from somewhere—I guess from the people who are benefiting from the service.

Mr McMeekin: I'm confused.

Mr Marchese: Don't say that, because I might agree.

Mr McMeekin: No, I'm confused by what you said. We're friends; friends can tell each other. I'm concerned too. You're one of the most articulate elected public officials I know. You're thoughtful. You generally make a lot of sense to me, and when you speak in the House I'm normally mesmerized by what you have to say. I'm often influenced and I've even voted occasionally, on private members' bills at least, based on your persuasive arguments.

I've always struggled, personally, between how interventionist a government should be and how much we should just let the independent market control everything. I would think you'd be racing to have us embrace having some political control here, and not just release everything. I'm fearful of releasing something entirely to an independent market group with no oversight, with no provision that the government can, at some point, intervene if something's completely out of whack. I'm not playing games here. I honestly thought you would stand in support and affirm that particular thrust.

Mr Marchese: Quite right; I am sympathetic to that argument, because I do believe in oversight, except, in this particular instance, my worry is that you, the Liberal Party, are going to be very worried about hydro rates in the next little while, and that worry will carry you through the next three years. My concern is not so much that oversight shouldn't happen but why it's happening. I'm putting out a political argument here saying that the reason there's political oversight in this case is that you don't want it to get out of hand, that it might possibly damage you politically. That's the only argument I make; not that I am against oversight, generally speaking, but that I'm anticipating why I think the minister is doing this.

Ms Wynne: I think that attributes motives that aren't there. I think the danger of not having ministerial oversight, as I said at the beginning, is greater than what you're talking about. We need that ministerial oversight, and that's why this is in place.

Mr McMeekin: I just want to make sure we don't let excellence become the enemy of the good here. This is, frankly, something I was pleased to see included. I was worried it wouldn't be included in the bill. I suspect we can ascribe all kinds of motives to anything. We'll be forged in the fires of this bill, and experience and history

will soon inform us as to what's happening. But I think we need to embrace this, with respect, my friend, and move on.

The Chair: Further discussion? Shall this amendment carry? All in favour? Opposed? It's carried.

Mr O'Toole, you're next.

Mr O'Toole: I move that section 19 of the Electricity Act, 1998, as set out in section 20 of schedule A to the bill, be amended by adding the following subsection:

"Exception

"(6) Despite subsection (5), the board shall, before exercising its powers under this section, hold a hearing on any matter that will result in increased fees payable by consumers."

Really, it just prolongs the discussion we've just had. The code language of the IESO and the OPA—they have the ability to levy new charges on the consumer. These will be done either through regulation or minister's approval. Really, what I'm asking here is—the Ontario Energy Board is going to be dealing with prices—I need to make certain there will be a review. The annual review of fee setting by the Ontario Energy Board, as I understand it—I was just reading a note here. The energy board will, I believe, set the rate fee twice a year.

Now, it's not the rate fee. In our case, we started to deal with the stranded debt—the 0.07 cents per kilowatt hour, which was right on the bill. It's broken out how much you're paying. It's supposed to go toward displacing the debt over some period of time, like paying off a mortgage. Well, these fees are going to go nowhere but up, and they're not part of the consumption side. In other words, if I conserve, it does nothing to these standard delivery charges and debt-retirement charges. We need to make sure the public is consulted and that it is quite aware that these fees are independent of consumption, that they're new, to pay for these new organizations and the great work they're doing.

I'm advocating here, on behalf of the consumers of Ontario, large and small, so that there is an appropriate process for reviewing these fees—not the electron charge, but these new little add-ons. They're enormous.

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I remember in caucus when we were paying around four cents a kilowatt hour, I said, "Do you realize what we're doing with 0.07 cents? We're increasing the price of electricity by 15% to 20%." Eventually it has nothing to do with the consumer cutting back. We increased it. A lot of members said, "What are you talking about? It's 0.07 cents. It's nothing." I said, "Out of four cents, of course it's a lot. It's a 15% increase." So without getting any benefit in reliability that I've seen from the increase in cost—and we know there's uncertainty for the next decade on this issue because you can't build a nuclear plant for 10 years—it'll take that long—and/or a gas plant, probably five years—three years, minimum. So they're going to pay more. I just want public hearings on these fees, and I hope you support it. I'm somewhat encouraged by Mr Ramal and Mr McMeekin. They seem to be acquiescing to the side of the consumer. I can't say that with any certainty; they haven't voted that way.

Ms Wynne: Now it's my turn to be confused, because my understanding is that the Ontario Energy Board already holds hearings on issues such as this. So we don't need this amendment.

Mr Marchese: Just for the benefit of Hansard, because there are some people who review these things, it is amusing to hear John speak about wanting to have a hearing before fees increase. It's good to see them in opposition, because it's funny how positioning changes. That's what makes politics sometimes very comical and that's why people believe us less and less. We take different positions in opposition than we do in government, and that's a serious political problem we all have.

When the Conservatives were in government, it took them a long time to pay the stranded debt. We had a good economy since they came in. They claim it was because of their policies; the Liberals at the federal level claim it was because of their policies—they both cut taxes, and so the economy was good. What it means is that the economy helped both Conservatives and Liberals. So we had an economy that was great for eight, nine or 10 years, and it continues to be good. Instead of dealing with the stranded debt immediately in 1995, we held off and held off. They froze prices. They never said that the NDP froze prices in 1994-95, I think, or possibly 1993. There was a reason why we froze them. We froze them because we were—

Mr O'Toole: The NDP froze the price. Let's get that on the record. You as a government froze the price.

Mr Marchese: Right.

The Chair: Mr Marchese, please continue.

Mr Marchese: I was just saying that. We froze rates because we had a serious recession and we were worried about poor people and people of modest means not being able to afford those increases. It was a terrible thing not to have revenue coming in in a recession when you needed it, but we were profoundly worried about the effect it would have on modest-income people and very-low-income people.

So the government came into power in 1995 when the economy turned around, and instead of putting money into dealing with our debt—

Mr McMeekin: It's a good economy now.

Mr Marchese: —in a good economy where the money is rolling in, they didn't do it for years and years. They froze it. Then later they capped prices in their second term. They just think it's comical. They capped prices, and later on, before the election—they were very worried about the effect of higher prices on the consumer and by correlation the consumer saying, "My God, the Tories are doing this. We've got to get rid of them"—and the Liberals supported them, by the way.

Mr O'Toole: They voted for it.

Mr McMeekin: We were told it was going to be revenue-neutral. Remember that? It wasn't.

The Chair: Mr Marchese, you have the floor. Continue.

Mr Marchese: Not a problem. There's order here.

It's good to point out that it's farcical in a way, and normally under different circumstances I think it would be wonderful to be able to have a public hearing before prices go up. Obviously no government will ever agree to that. The Tories would never have agreed to that, and I pointed out the comical aspects of it. The Liberals would never agree to that, because, by the way, prices will go up. It is inevitable, and it's a question of how much, and it will be a question of how much the Liberals can control those prices, because they're profoundly worried. If prices skyrocket, they're going to get whacked; they know it. But prices will go up.

So while I have some sympathy for the motion before us, because I think it would be wonderful for people to have an opportunity to speak to possible increases in advance, I don't think the government would ever admit to it, and they obviously just rejected it a few minutes ago. But the concept of a hearing before prices go up, I think, is a good thing, generally speaking.

Mr O'Toole: I can't add much to that, except for the sake of using time.

I would say that Mr Marchese should correct some of things he said. I think he knows what he said to be a little bit off the record.

We basically maintained the rate freeze through 1995 and furthered the reflections on the energy market by commissioning the Macdonald commission, which looked at choices and options to deal with what was becoming known as the stranded debt. We segregated all the debt and the assets into three different groups and tried to open the market. At that point we went back to a frozen price. We said the market would open. We delayed that three or four times. I think history shows that, for all the right intentions, they were trying to protect the consumer during a time of severe recession, and in our case we were trying to protect the consumer in a period of volatile price and supply instability. You'll probably end up with the same thing. I see you just recently had a little problem with the Pickering plant.

That's all I'm saying here, that appropriate review—whether we did or did not hold those public meetings, we certainly dealt with the questions in the House that Dalton McGuinty raised and the quote I made from CFRB: "Dalton said you had to freeze prices." So I'm saying here that to maintain rate relief for consumers—He said, "So we've got to maintain rate relief" for consumers. He said that on November 13, 2002.

So what we've said here is mostly on the small-consumer side and all the various consumer bundles—large industry like forestry, pulp and paper, mining and steel. There are different consumer groups, and adequately picking these sectors and regulating or allowing the market to prevail, getting into what I'd call demand management plans, that's what these hearings are about. What we're advocating is some process—reassure us, Ms Wynne, that there is a process for the public to have a fair understanding of what the rates are; that is, the electron rates as well as these new fees.

In this case, the IESO, these are just going to be brand new fees. These are going to be operating entities that

need revenue to pay all the computer people and the technical experts etc. The only place you're going to get the revenue is either from general revenue—tax—or rate revenue, which is tax. Because this isn't a product where you can say, "I'm not using electricity any more. I'm going off the grid." Good luck to you. If you don't agree to this, you don't care about the consumer. That's what I hear you saying.

Mr Ramal: I think we have to go back to Bill 100, especially subsection 20(19). We're dealing with the hearing and, as Ms Wynne said a couple of minutes ago, we already have it; we have no need to change. Therefore, I'm against the amendment.

Ms Wynne: I just wanted to make sure that Mr O'Toole understood that in the Electricity Act the board already has the authority to hold these hearings, does hold hearings on matters such as this, and so that's why this amendment is unnecessary. I don't think more needs to be said than that.

Mr O'Toole: Is the OEB going to have intervenor funding for consumers to appear before the board?

Ms Wynne: I believe we've got an amendment that deals with—Well, we'll deal with that later actually. If you look through the amendments, you'll see there's something that does speak to that issue. Can we move on?

Mr Marchese: I was just curious about the comments. The board has the authority to hold hearings?

Ms Wynne: Yes, it already exists in the act.

Mr Marchese: You'll remember, in a previous amendment we said—we're just putting down in the legislation what people were telling us, because we basically want to confirm what we heard.

If the board has the authority to do this, you almost suggest that, given that they have the authority, you support the idea of hearings. But you're not really saying that. You're saying they have the authority, but what I believe is that they're not going to use the authority to have hearings prior to increasing fees. They would never do that. Why would the board have hearings to get opinions from people about how high the fees are going to go or how high they should go? That would be almost suicidal. So, although the board has the authority to do so, they're never going to do it—unless I'm wrong. Do you think I'm wrong?

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Ms Wynne: The fact is that the board has held hearings on matters such as this, so I think—

Mr Marchese: So the answer's yes?

Ms Wynne: Yes.

Mr Marchese: Prior to increasing fees?

Ms Wynne: On matters that would have an impact on the fees, yes, that's my understanding. Yes, I'm getting nods from the ministerial staff. So it's there, it has been done, which is why you'd have intervenors in the first place—there was a question about intervenors—because there are hearings, right? I think Mr Marchese wants to hear it from staff.

Interjection.

Ms Wynne: I beg your pardon, Mr O'Toole?

Mr O'Toole: They write this stuff. You read it; they write it.

Mr Marchese: Staff members: Prior to fees increasing, the board has hearings to hear what people have to say?

Mr McCann: The way I would answer the question is this: We're talking here about fees of the IESO, which are similar to fees of the existing IMO. This is one component of rates. These are the fees that are charged for operating the market.

The board, I think, has not held hearings under these recently because the IMO fees have effectively been frozen. But prior to that, the board had the power to hold hearings on IMO fees and, I believe, did so. I can't accurately say whether it was before an increase in rates or not, but it was certainly before new fees were put in place.

Mr Marchese: Right. OK. So if that is true, then, this motion would not contradict any practice of yours. It would simply confirm it or simply put it on paper, I suppose.

Ms Lawrence: I think that the way the act is drafted currently—again, the language is permissive. It says that the board may review fee proposals but is not required to do so, and that has been in place since the Electricity Act first came into force in 1998.

Mr Marchese: So how many hearings have we had, again, prior to the caps? Do we know?

Ms Lawrence: There was a very extensive one—I don't know the IMO information right off the top; I would have to get back to the committee on that—but there was a month-long hearing, for example, on Hydro One's initial transmission rates. The board held hearings and notified communities locally about local distribution companies coming forward for rate increases.

Mr Marchese: So to the member, if they do that—and this simply says "Do it"—does that bother you?

Ms Wynne: Well, it changes it from permissive legislation to a mandatory situation, where they would have to do it every single time. What we're saying is that under the permissive legislation, when there wasn't an artificial cap, there were hearings. We think that worked, so let's leave it as permissive legislation.

Mr Marchese: So that in the event that you don't want to hold hearings, the minister can say, or the board can say, "We're not going to have them."

Ms Wynne: That's what permissive legislation means. It's, again—

Mr Marchese: I appreciate it. No, no, no. I'm with you. I understand.

Ms Lawrence: It's the board, not the minister.

Mr Marchese: We understand that. There's a clear separation of powers, of course.

Mr O'Toole: And they're not approved by anybody.

Mr Marchese: The point was that they do hold hearings. The point is that the Conservative member says, "Maybe we should do it each time," and the government is saying, "Let's make it permissible so that if

they want to, they can, and if they don't, they don't have to."

Mr O'Toole: Just a clarification: I think it's been very beneficial. It's been long and exhaustive, but it has, to this extent—the only real change here is changing it from "may" in subsection (5) to "shall." That's substantively all we're talking about.

It appears you don't want to be fair with the people of Ontario. You're going to hide behind "Well, the IESO didn't do it," and, "The minister doesn't want to intervene in this arm's-length whatever." The ministry legislative counsel has done an admirable job of protecting you here.

Mr Marchese: We want to thank the staff members for their—

The Chair: We always thank them for their excellent responses and input.

Any further discussion? All in favour of the amendment? Opposed? It's lost.

The Chair: Ms Wynne.

Ms Wynne: I move that section 19 of the Electricity Act, 1998, as set out in section 20 of schedule A to the bill, be amended by adding the following subsections:

"Transitional, 2005 fiscal year

"(6) Despite subsection (1), the IESO shall submit its proposed expenditure and revenue requirements for its 2005 fiscal year and the fees it proposes to charge during that fiscal year to the board for review not later than 30 days after the minister approves or is deemed to approve the IESO's proposed business plan for the 2005 fiscal year under section 19.1, but shall not do so until after the minister approves or is deemed to approve the proposed business plan.

"Same

"(7) Until the board approves the proposed expenditure and revenue requirements for the IESO's 2005 fiscal year and the fees the IESO proposes to charge during that fiscal year, the expenditure and revenue requirements and fees that applied for the 2004 fiscal year shall apply for the 2005 fiscal year."

What this amendment does is provide flexibility on the 60-day timing requirement for the IESO's application to the OEB for the transitional year 2005 and it recognizes that there are going to be new IESO board members who are coming on. They need to come up to speed. They're going to require orientation and education. So this allows for that to happen.

Mr Marchese: I just wanted to point out that as I read subsection (6), "but shall not do so until after the minister approves or is deemed to approve the proposed business plan," again, I understand the oversight. You will pardon me if I again raise the problem of the minister wanting to make sure, in this particular instance, that everything is controlled, because they know this is going to get out of hand. Hydro is a highly explosive problem, very volatile, and it will create problems. While I understand the notion of oversight, this is an attempt to exercise a great deal of control. I just thought I would say that.

Mr McMeekin: You know, Mr Chairman, you're damned if you do and you're damned if you don't. I think

the government would say, "We don't want to be the evil of two lessors. That's why we're moving in this direction."

The Chair: Further discussion? I will now put the question. All those in favour of the amendment? Opposed? It's carried.

Shall schedule A, section 20, as amended, carry? All in favour? Opposed? It's carried.

Ms Wynne, please.

Ms Wynne: I'm reading from a page that the clerk has numbered 22/23. Is that right?

The Chair: Correct.

Ms Wynne: I move that section 19.1 of the Electricity Act, 1998, as set out in section 21 of schedule A to the bill, be struck out and the following substituted:

"Business plan

"19.1(1) At least 90 days before the beginning of its 2006 and each subsequent fiscal year, the IESO shall submit its proposed business plan for the fiscal year to the minister for approval.

"Minister's approval

"(2) The minister may approve the proposed business plan or refer it back to the IESO for further consideration.

"Deemed approval

"(3) If the minister does not approve the proposed business plan and does not refer it back to the IESO for further consideration at least 70 days before the beginning of the fiscal year to which it relates, the minister shall be deemed to approve the IESO's proposed business plan for the fiscal year.

"Transitional, 2005 fiscal year

"(4) The following rules apply in respect of the IESO's proposed business plan for its 2005 fiscal year:

"1. The IESO shall, within the time period specified by the minister, submit its proposed business plan for its 2005 fiscal year to the minister for approval.

"2. If the minister does not approve the proposed business plan and does not refer it back to the IESO within 20 days after receipt, the minister shall be deemed to approve the proposed business plan."

Just for clarity, what this amendment does is provide a guideline for the deemed approval of the business plan and also provide flexibility on the 90-day timing, as we spoke to before, for the transitional year 2005, recognizing that the new board members of the IESO have to come on board.

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Mr Marchese: Just again for the sake of repetition, and Ted can simply follow me and say the same thing: "At least 90 days before the beginning of its 2006 and each subsequent fiscal year, the IESO shall submit its proposed business plan for the fiscal year to the minister...." Again, the election is in 2007.

The Chair: October.

Mr Marchese: We know. So in 2006, at the beginning of that year, we want to be sure we have a fiscal plan in our little hands so we can monitor it, have oversight, make sure that everything is going well before the following year, when we go to the polls. Again, this

is about exercising control for political reasons more than the need to have oversight because we're somehow worried about how they're doing it. That's what I suggest to all of you that this is all about.

Mr McMeekin: I can say quite honestly that in all the discussions—and Mr Marchese will know that when I preface with the word "honestly," I'm telling the complete truth—we've not had any discussion about the subsequent election, although the future election, 2007, seems to be quite pressing on his mind. Maybe it's because we're doing what on a good day my good friend Rosario would call for, and that's to be straight up, clear, transparent and accountable.

As you've said before in the House—and you're right, you can't have it both ways; you either want the minister involved, so that that gets hung—he's going to have what happens hung, come on it one way or the other. This does that in that kind of a way. Ultimately, even if he refuses to act he gets hung, because he's deemed—talk about covering yourself up. Even that's deemed as the minister approving the plan. Boy oh boy, we've gone out of our way to make sure this is clean, clear, transparent and accountable. I know in your heart of hearts that you're applauding.

The Chair: Further discussion? All in favour of the amendment? Opposed? It's carried.

Shall schedule A, section 21, as amended, carry? All in favour? Opposed? It's carried.

Shall schedule A, sections 22, 23, 24, since there are no amendments, carry? In favour? Opposed? They carry.

Mr Marchese, you're up.

Mr Marchese: I move that section 22 of the Electricity Act, 1998, as made by section 25 of schedule A to the bill, be amended by adding the following subsection:

"Orderly shutdown in business plan

"(3) In the first year after this provision comes into force, the IESO's business plan shall include a plan for shutting down the IESO-administered markets in an orderly fashion."

The IESO, as part of its business plan, must develop a plan to shut down the spot market. Clearly this is where the NDP differs from Liberals and Tories. We opposed the retail market, the entry of the retail sector into this business, and the Liberals who agreed with us near the end of 2003 have now changed their position. Mr McGuinty said at the time, prior to the election, "The market is dead." I am assuming he meant that he was opposed to the retail sector getting into this business and that he opposed private sector—ie, spot market—involvement here. He believed, late in the 2003 political process, that the private sector had failed us.

From the very beginning, New Democrats were and still are the only ones who support public power. We do not believe that public power should in any way allow the entry of the private sector or allow the slow sell-off of our public power to the private sector. We believe it's a mistake. We believe it was a mistake when the Tories did it, and we believe it's a mistake now that the Liberals are doing it. Their shift away from public power to private

power, or, as they say now, a mix of the two, is a mistake.

We believe that the spot market is going to introduce a great deal of volatility, a word Mr O'Toole used about 10 minutes ago. It introduced volatility when they were in power, and it will continue the volatility now that the Liberals are in power. The spot market depends on the private sector and the markets to determine electricity prices. We believe that we cannot have any level of certainty with a spot market, in terms of how high prices will go.

So New Democrats oppose the private market in electricity. We oppose the spot market being introduced in this sector. We rely a great deal on public power, hydro power, in this province and this country, and we shouldn't be selling it away.

That explains in great part why we've introduced this motion. We realize the government is obviously deep into this and will not reverse itself yet again. But we think they're making a mistake. It will hurt the province and it will hurt consumers, and prices will go up uncontrollably.

Mr Ramal: We've heard a lot about public power. It's a nice word and a nice subject. Many people like it. But can you explain to the public how we can get the money? We have a \$38-billion debt, and we're facing refurbishing, basically over the next 10 years, most of the stations we have. It's going to cost about \$40 billion. How can we come up with the money?

Mr Marchese: We have a debt because when the Conservatives were in power and they decided to build nuclear power, and when the Liberals came in and decided to continue with Darlington, it cost us a great deal of money. Darlington was a \$14-billion venture—\$14 billion. One way or the other, you have to pay for that. If you didn't have nuclear at the time, you could have gone into other areas that we're now talking about, in terms of conservation—strong conservation—and clean power, in terms of renewable power.

The Pembina report says that through a combination of those two efforts, we could reduce power use by 40% and increase power by 30%—I think the figure is—by getting into renewable energy.

One way or the other, it's going to cost us a lot of money. If you do not do it through the public sector and pay for it down the line, you're going to have to pay somebody else. If the private sector gets involved in the building of—I think the Chair saw you, Ms Wynne. Mr Chair, Ms Wynne is on the list.

Ms Wynne: It's OK. Carry on.

The Chair: Keep going.

Mr Marchese: Mr Ramal, one way or the other, you're going to have to pay. You and your relatives, you and your friends, you and your constituents—one way or the other, you're going to have to pay.

As New Democrats, we argue that if we build, it's cheaper for us to borrow money than the private sector. When the private sector has to go out and borrow, it costs them money. In order to recover or retrieve that money, they have to charge you, Khalil.

1500

Mr McMeekin: So you'd raise taxes.

Mr Marchese: I'll get to you too, Ted, with all due respect.

Mr McMeekin: How much would you raise them?

Mr Marchese: Let's talk about that, because we have time. We have plenty of time.

When the private sector borrows, because their borrowing cost is higher, they're going to have to pass it on to you. I suspect you agree with that, Khalil? Someone has to pay, right? That's one way you're going to pay. And the other way you're going to pay is that if they get involved, they need to make money. To make money you've got to charge a higher level of hydro prices, because you don't get into the business to lose money. You understand that, right? So borrowing costs are higher—hold on, Ted—profit-making means that there has to be a level of certainty about how prices have to go to recover that, not only to pay for the province but to make some money, and you're going to pay. You think that you're not going to be paying because the private sector is doing it. So if you are independently wealthy, Khalil, that's great, because you're going to be paying your bills and it's not a big deal. We worry about people who can't pay their bills. We worry about how many consumers are going to be stuck with high bills they cannot afford.

What we're arguing, as New Democrats, is that when governments build they do not build for a profit and they can afford to borrow at cheaper rates. So we borrow at cheaper rates, we build and then we charge the consumer based on the cost of building renewable power and/or making sure we have strong conservation, which the private sector would not get into because they're not in the business of conserving; they're in the business of you consuming as much hydro as possible so they can make money.

I'm not sure you're following the argument here, because Ted said twice in committee, "My constituents don't want to pay." But your constituents, Ted, will have to pay. Let me finish the point. Either they pay through the government producing the power and making sure we're conserving in a very strong way and they pay that modest cost, or they're going to have to pay a hell of a lot of money when the private sector gets in to make the money, ie, profit, and pay for their high borrowing costs.

So the argument is that it's cheaper with us, we control it, it's our asset, people control it and not the private sector.

Interjection.

Mr Marchese: The past?

Mr Ramal: Yes.

Mr Marchese: What are you talking about?

Mr Ramal: The past—

Mr Marchese: Mr Chair, again, Khalil is not—we're not connecting; we're not communicating.

Mr McMeekin: Have you ever leased a car?

Mr Marchese: Let me get to that question.

Mr Ramal: We're talking about—

Mr Marchese: He's saying the past didn't prove it. To review a little bit of history about the problem, Darlington was approved by the Liberals. It cost 14 billion bucks. What you've got to do once you've constructed, Khalil, is commit yourself to making sure it gets paid. What we had to do when they built nuclear power was make sure that debt was paid. How do you make sure it gets paid? You charge a fee. If you don't charge a fee and recover that cost, of course you're going to have a debt on your hands. That's why we've got a stranded debt now. Even the Conservatives, while they had a great economy in 1995 with a lot of money, weren't paying down the debt. They would say, "Look at the stranded debt. It's simply crippling our public power. We've got to go to the private sector because we've got a stranded debt." If you don't pay your stranded debt, of course you're going to have a problem on your hands. But either way, you're going to have to pay, and I refer to you as a consumer. You will be paying more money under your rules, as we did under their rules, because you've allowed the retail sector to get in and you've allowed the spot market to happen. So, dear consumers everywhere, if you're watching and all of you are doing research on this matter, you're going to be paying—and you're going to be paying a lot—for private power.

Ms Wynne: I want to make a couple of points. The first one is that for decades we've had private involvement in generation of hydroelectricity in this province, and I think Mr Marchese knows that. I think he also knows that we're opposed to subjecting small, low-volume consumers to the spot market. We've gone over some of these arguments before today, but I'll just repeat that there's nothing in this bill that points to the selling of assets that currently are publicly owned.

Interjection: The heritage assets.

Ms Wynne: Yeah, the heritage assets, exactly. So I think those fears should be allayed.

The other thing is—and Mr Marchese was in Orono with us when we had the final day of the hearing, I believe. What was interesting was that I think just at the end of that day, we actually moved away from this argument about public-private and into an argument about reliability, safety, renewable. What the public is really concerned about is that the electricity that is provided in their lives is reliable, that they have enough of it, that it's not doing damage to people or the environment. Those are the real core issues.

I liken it to different levels of government fighting about assets. Someone walks into a recreation centre, a swimming pool; and the citizen doesn't really care who pays for that swimming pool, they just want it to be there. When a citizen turns a light on, what they want is the light to go on, the bulb to go on, and they want it to go on when they need it. They want to be sure that the source of that electricity isn't damaging the world, isn't damaging other people. So this public-private debate, I believe, is a false debate in terms of what's really on people's minds in the community.

I think what people want is stability in the sector; that's what we're trying to provide. They want clarity in

the sector; that's what we're trying to provide. And they want a government that's going to take leadership on making sure that we don't incur huge amounts of debt going forward, that we don't saddle generations in future with debt, that we pay a realistic price for electricity and that we make sure there's a good mix, and an increasing mix, of clean renewable sources in that energy mix. That's the debate I heard us engaging in with stakeholders, and I think Mr Marchese is trying to take us off in another direction.

I'm not going to be supporting this amendment. What we're trying to do is create a hybrid market that is balanced, that is going to do all those things I have just spoken to, which I think are the things that citizens of this province are really interested in having happen and that haven't happened for many years in this province.

Mr McMeekin: Speaking after Ms Wynne is a bit like dancing after Veronica Tennant. She makes her points and she makes them very well, so thank you for that.

Mr O'Toole: It is dancing nonetheless.

Mr McMeekin: I'm more a ballroom dancer myself, but I'm a bit older than Ms Wynne, so I guess I could be excused for that.

The idea of working in partnership, sharing risk, achieving together what we can't achieve apart, is something that as a former mayor I understand. There were all kinds of times when things happened in my community, frankly, that wouldn't have happened if we hadn't been able to bring creative, entrepreneurial folk to the table who were prepared to walk with us and take the risk.

It may be a bit of a curse. I started out as a social worker and ended up as a businessman, and I learned very quickly, particularly with a family to support, that there was nothing wrong with making money, that profit wasn't a dirty word. Since being involved in government, I've discovered that there is no office beside the Premier's office where the call goes in and says, "Oh, by the way, troops, you get out there and build a nuclear plant today," or "You get out and put up windmills" or whatever. It just doesn't work that way.

You talked earlier, Mr Marchese, about the economy, and about down times and up times in the economy. All the people I know out there in the real world who can't afford to buy a car go out and lease a car. Why? Because that's what they can afford. They get somebody else to put the money up front and they manage the risk. They can't afford to take the risk of going out and dropping \$35,000 or \$40,000 on a new car. That just isn't in the ballpark.

1510

I've said before, and you're right, sir, that people I represent aren't lining up at my door saying, "Please, Mr McMeekin, please, go out and borrow another \$10 billion and just slap it on my tax bill so we can solve this energy mess we're in." We got into enough difficulty with the increase in the health care premium to meet pressing needs without going out and inviting that kind of response. I'll tell you something. Honestly, if there were 10 people outside of my constituency office tomorrow

saying, "Please, go out and borrow the money. I want to pay more taxes. That's really where it's at. I want to pay more taxes so I can have the energy supply I need assured," you know what? I'd buy into it in a wink. But it just isn't there. I can tell you.

Mr Marchese: Here's the political problem, Ted, because what you and your party are doing is this: You're hiding the real cost, or you're hiding the cost, because one way or another we have to pay. What you're saying is you're not willing to borrow and have to go to your community and say, "Look, we want to borrow because we want to keep it in public hands, but it's going to cost us." You and the Liberal Party are happy to say, "We're going to turn a lot of the building of the generation of new power over to the private sector. They'll construct it; they'll pay." But because they carry the load, we don't have to know about how much it costs the private sector. All I'm saying is it will cost them, because we're going to have to pay the private sector when it bails.

Mr McMeekin: I understand the argument.

Mr Marchese: Of course you do. We are hiding the problem, because one way or the other we pay for it, either through our own means and in our own way by building and then saying to the consumer, "Look, it's going to cost us down the line and this is how much it will cost," or "The private sector will build it, but you have to pay." So it's politically expedient, I will admit, to have the other—that is, have the private sector build—and then we'll pay whatever the market can bear. We have allowed, through the Conservatives, Bruce Power to get in, which was controlled at the time by a British firm. Now I think they've sold much of their share to somebody else. I don't know who owns it now. A couple of years ago they made \$170 million in profit. I don't know what they made last year.

Mr Ramal: That's great.

Mr Marchese: Khalil says, "That's great. No problem." The problem is, the \$170 million they made in profit could have been ours. We could have paid down our own debt, we could have been paying for the construction or whatever it is we want to generate by way of power. But that \$170 million went to Bruce Power. We lease it; they make money. After the next 16 years or so—I think it's 16 years—we're going to get it back and we'll probably have to be stuck with the repairs. And we know how expensive it is to repair every unit we own, probably in the order of one billion bucks a pop, so to speak. So we have allowed the private sector, Bruce Power, to get into the field, and what we have done is allowed them to use what we generated out of public expenditures so they can make money.

It's crazy. That kind of leasing arrangement, in my view, is crazy: that we would permit them to use our power so they could make money, money that we could have used for our own provincial needs to deal with our own problems.

We don't agree with the arguments made by Ms Wynne and Mr McMeekin. We think they're profoundly

wrong. We do not agree with the fact that they do not seem to understand that the private sector, through the spot market, will manipulate the market. They have. In the US they do it all the time, and they did it in California. The former Conservative government used to laud California and say, "What a wonderful dream they have down there," until they had problems, and then Jim, the first minister—

Mr O'Toole: Wilson.

Mr Marchese: —Jim Wilson, never, never talked about California again. I used to sing him the song about California Dreamin', but he pretended not to hear it. Then Stockwell came in, of course, and he pretended not to hear it. But we said, look, the private sector manipulates the market. They do and they will, and they will do it with us as well.

I want to say, yes, you do not appear at the moment to be selling off the generation of power, which, at one point, your party said they would; they would break it up. But at the moment, I don't hear your party saying they're going to do that.

Mr Ramal: No, it's clear. Not for sale.

Mr Marchese: That's great, Khalil. When the Liberals talk about "clear," it's very confusing on the other side.

Prior to 2003, Mr Sorbara and others, Sean Conway and others, were talking about the sell-off of Ontario Power Generation, the break-up of. But I don't hear your minister at the moment saying that. That's true. So I understand that.

On the other hand, what we have are, at the moment, two proposal calls in progress: for 300 megawatts of green power and 2,500 megawatts of clean power, largely gas-fired generation. The former, which will pay the higher cost of renewables, has drawn major interest, with proposals totalling 4,400 megawatts. So I want to say: We, New Democrats, support the generation of power through green power.

The proposal call is for 300 megawatts of power, and we have 4,400 megawatts of requests. The government does not appear to be interested in that. I think it's a mistake. The other 2,500 megawatts of power that will be clean power, largely gas-fired generation, is controlled by the private sector. It's all private sector generation. That's only a third of the 7,500 megawatts of power you want to construct, which will happen down the line at some point. We don't know when that will happen. We don't even know yet whether the private sector is going to want to get in, in spite of any incentives so far you've given them to lure them to come into the generation of power.

Mr O'Toole: Fundraisers, barbecues.

Mr Marchese: They raise good money. They had a fundraiser, didn't they?

Mr O'Toole: Fifteen hundred.

Mr Marchese: God bless. I thought only Tories did that.

So my point about this is that, while at the moment you have put off the sell-off of Ontario Power Gener-

ation, everything that's new is going to be private sector, mostly. My argument as well, in addition, is that when nuclear is in a problem, when we have to retrofit them, my suspicion is that most Liberals will give in to the fact that you might have to get into other lease arrangements, as you did with Bruce Power. That will be with the private sector coming in, investing, making the profit, as Bruce Power is, taking the profit, and leaving eventually, and we're stuck with the problem. So when the nuclear—

Mr McMeekin: You want them to own that and be stuck with the problem? Is that what you want?

Mr Marchese: No, Ted. We want public power. We are for public power. We're not for private power.

So when nuclear finds itself in a desperate problem and you're going to have to retrofit them, as you are faced with now—and it's going to cost at least \$1 billion to retrofit each unit—you are going to come to me and Ted McMeekin is going to come and say, "Look, we can't saddle my people with this debt. They're not going to like it." So Ted is probably going to go back to his community and say, "We may have to lease it so as to avoid the extra cost that we would have to pass on to the public."

So when Ms Wynne says, "We're not selling anything," I just wanted to build the case. First of all, most of the power that you are engaged in now—a third of it, which hopefully will come in by 2007, if we're lucky, and the rest will come in 2009, if we're lucky, and I'm not sure. I wanted to build a case to suggest that the generation of new power is private, that when nuclear dies, you're probably going to lease it off—and that will be to the private sector—and that's how slowly and incrementally, as is the Liberal way, you're going to sell off those things to the private sector. So that's the case I wanted to make to you Liberal colleagues, with all due respect, and to suggest that reliability, as Ms Wynne talked about, and safety, are more with the retention of power in public hands than with giving it away to the spot market and to the private sector.

1520

Mr McMeekin: I want to look through Rosie's crystal ball here, just to see where we're heading.

Mr Marchese: It will happen. Guaranteed.

Mr McMeekin: You know what? I think tolerance begins at the point of difference, not at the point of sameness. We just are going to have to agree to disagree on some of this stuff, although much of what you've said, particularly around the alternative energy and some of the concerns—I think you know our positions and values that we hold on this side.

Mr Marchese: Individually I know where you stand. I don't know where you stand as a party.

Mr McMeekin: Presenters came in and spoke to us about the bill. I went down and I checked off, "Are they generally supportive? Do they get an 'I' or an 'N'?" "I" stood for; they want the government to be more interventionist; "N," they want the government to be non-interventionist. The pure free-market folk didn't want the government to be involved at all. The interventionists, of

course, wanted us to be talking about tax credits for whatever. So we're trying to walk that balance. Why? Because we don't want to walk away from the problem and we don't want to hide behind it; we want to try to get it solved. We're honestly looking at trying to move this on, to get new supply generated, a real culture of conservation. It's going to be tough. All three parties have a long history of not making the right decisions. We're trying to make some of the right—and who knows? Not everything we do here may, in the fullness of time, turn out to be perfect. Hopefully, we'll have the courage to revisit it and tune it up.

I do know that Jungle Jim, minister Jim, his idea of solving the air pollution problem was to ban barbecues. That's something we're not prepared to do. But we do want to walk forward. We do want to try to get the problem solved. You know what? There's a lot of expertise around here. We can get it pooled together and work it out together. I think we can make some progress.

Anyhow, we're a long way from this particular amendment, Mr Chairman. So I just draw us back to that.

The Chair: We're wandering a wee bit, that's for sure.

Any further discussion?

Mr Marchese: I want a recorded vote if there is no further discussion.

The Chair: Not a problem at all.

Ayes

Marchese.

Nays

Craitor, Fonseca, McMeekin, Ramal, Wynne.

Mr Marchese: I think I lost that one.

The Chair: It's lost.

Shall schedule A, sections 25, 26 and 27, carry? All in favour? Opposed? They're carried.

Section 28: Mr Marchese, please.

Mr Marchese: I move that clause 25.2(1)(c) of the Electricity Act, 1998, as made by section 28 of schedule A to the bill, be struck out and the following substituted:

"(c) to engage in activities in support of the goal of ensuring adequate, reliable, environmentally and economically sustainable, safe and secure electricity supply and resources in Ontario."

This would require the Ontario Power Authority, as part of its objects, to ensure environmentally and economically sustainable electricity supply, and, without repeating all the things I said just a few moments ago, to include all those arguments in this.

Ms Wynne: We've already proposed that safety and sustainability be inserted into the purposes section, and we believe that that covers the issues that are raised in this amendment.

The Chair: Further discussion?

I now put the question. All in favour of the amendment? Opposed? It's lost.

Mr Marchese, please.

Mr Marchese: Schedule A, section 28?

The Chair: That's correct, sir.

Mr Marchese: I move that clauses 25.2(1)(e) and (f) of the Electricity Act, 1998, as made by section 28 of schedule A to the bill, be struck out and the following substituted:

"(e) to engage in activities to support the following goals in the following order of priority, in a manner consistent with the policies of the government of Ontario,

"(i) energy conservation and efficiency and load management,

"(ii) the use of renewable energy resources, and

"(iii) the use of clean energy sources."

This would ensure that the OPA give priority to conservation and renewables.

The Chair: Discussion?

Ms Wynne: Yes. We've talked at some length about this issue in another context, and in our own amendments we've already addressed the issue of safety, sustainability, reliability, conservation and cleaner energy sources. So we've dealt with those issues. What happens in our plan is that the minister holds the ultimate authority for setting the targets for conservation and renewables. That's to ensure that those targets are met. So the ministerial role there is to ensure that they're met because the government is ultimately responsible for those targets.

We talked earlier about the problem with the setting of priorities, Mr Marchese. We've talked about it at some length because our concern is that this amendment, as some of your other amendments would have done, would have set one of these important issues over another. What we're saying is, the responsible position is that we have to deal with all of them; we have to balance all of them. That's what our legislation proposes to do, so I won't be supporting the amendment.

Mr Marchese: I understand the argument that was just made. I'm not sure it's the responsible position, necessarily, however. I don't believe that what we have done with this bill is to focus as best as we can on energy conservation—I don't. There has been talk of it, there's mention of it, people spoke to this issue, but I do not believe that this government is aggressive on conservation—not based on this bill and not based on the measures that they have proposed. In fact, it's very weak. Based on the Pembina Institute report, where they said that 40%—I think it was 40%, not 30%—could be achieved through conservation, that is huge. We haven't studied that, we haven't talked about the potential for that. There's simply a mention of conservation here, and we'll be talking about it later on. We'll talk about it again, I suppose, but it goes nowhere near the potential for 40% of reduction by conservation measures alone.

I do believe in this hierarchy—I do—because it speaks to controlling consumption rather than simply increasing consumption or allowing it to go on and on as an ob-

jective. The idea on that priority hierarchy to talk about the use of renewable energy sources I think is vitally important. I mentioned that before, where the government is only allowing 300 megawatts of green power, but we have proposals totalling 4,400 megawatts of power. Not once has the minister or the committee, made up of Liberals, talked about why it is that we cannot go the measure, why we can't allow the 4,400 megawatts of power to happen under this rubric "green power." Not one Liberal member has spoken to that, so I'm not quite sure I understand why.

I am a firm believer in the use of renewable resources, and if we got proposals that would permit us to do that, why wouldn't we do that? Close to 5,000 megawatts of green power is an extraordinary amount of power that could be achieved through that measure alone.

Then we talk about the use of clean energy, and that's third in terms of the priority. I'm not sure that necessarily it would be inconsistent with what the government is trying to do. I don't see that.

You could achieve all the things you would want and still take the responsible position you want to take and achieve all the objectives we want. We believe that should be the priority. We don't see that in this bill.

1530

Ms Wynne: I just want to make the point that Mr Marchese talks about us mentioning conservation. What we're doing is institutionalizing conservation targets into the electricity sector in this province. That's a very significant departure from what's been happening in the recent past and even in the more distant past. We're setting up the conservation bureau. The minister will be approving a plan. He will be setting targets, first of all. There will then be a plan that comes forward with those conservation targets, with those directives enshrined in the plan. To say that we're just nodding to conservation is a huge understatement of what it is we're doing here.

Yes, we haven't got the specifics on what the supply mix will be in this bill, but that's not what the bill is about. The bill is about setting up the structures that will make sure that the right factors are considered, that the right processes are in place, so that we have a stable supply, that that supply is increasingly clean and that we increasingly engage in conservation initiatives in this province.

I think Mr Marchese, probably intentionally, is underplaying the good direction we're moving in in this bill. I think he knows we're doing far more than nodding at conservation, that we're making it a cornerstone of this legislation. In fact—and we will talk about this later—we're embedding the conservation bureau in the Ontario Power Authority so that it will be integrated into what the Ontario Power Authority's plan dictates.

Mr O'Toole: This one here is similar to an earlier motion when Ms Churley was here, and the arguments are similar, of course. I think everyone here agrees with the energy conservation model, and I just say that to reaffirm that our government's position is to recognize that conservation is not just a laudable objective; it's something that's changing the culture of habit.

Adam Beck's principle of power at cost was never true—ever. We never had a project come in on time or on budget, and electricity prices have always been subsidized, either directly or indirectly. Electricity actually is an economic policy discussion and it's up to government to make sure they have a strong economy, which means having adequate, reliable, safe, affordable power to be able to have a productive economy.

The argument Mr Marchese is making on energy, on renewables and clean sources of energy: They're also something that needs to be explored a little further. When you look at the current RFPs and some of the responses by expert panels around the world, actually, on wind power—wind power and the 4,000 megawatts of renewables that was bid into that 300-megawatt RFP is often referred to as an intermittent or inconsistent source of power. As such, what you're really arguing here is the 2,500 megawatts that was the second RFP, which was basically gas. What they're trying to do is replace the 7,500 megawatts of coal, which has basically been used as peaking power capacity—for the most part it has been peaking power—and intermittent power sources like wind and others, although ideally I would like to support them, at this time are often referred to as intermittent power sources. So when you need the peak power and you don't have the wind, good luck; you're out of power. Where are you getting it? You're buying it from other jurisdictions. It's probably a good start to have the 300 megawatts up, doable, measurable, performance and all the rest of it.

I'm just making the point here that, honestly, in many respects I support what the government is doing; not the governance structure so much and the clarity of prices and accountability part of it but moving to allow renewables in like wind and solar, although they're ruling out some too, which would be clean coal technology. They're ruling out things out of hand, technically. They could have models set up or trials set up. Even if you look at gas as part of the solution and even the other part you make, the conservation part, I think if you look at Italy's experience with the smart meters or demand-response programs, we're not there. I'm not sure I've seen anything posted anywhere on these smart meters, if they're hard-wire-connected, where you can expect to get performance responding to price instantly or in some kind of mechanized way. Otherwise, if it's off-peak and on-peak pricing you're going to have, the large consumer should respond to that and there should be prices set which reflect that if you move your steel production or your furnace operation to the off-shift, off-peak.

For the home, this is going to take a huge cultural shift. It's going to take time to get it. In fact, most of the experience in trying to get demand-response—if you look at the blackout last year, none of that load was taken off by the residential side. All the reports said it was all the large businesses. General Motors shut down; the steel plants shut down; the mining and forestry. There was no consumer response, despite what the minister says in public.

It's frightening how little he must have read about who really responded. If he thinks the consumer is going to respond immediately—I support time-of-use metering. It should be implemented through the local distribution companies. They should be able to incent people to buy a meter and get standard or fixed pricing.

There's a lot to this. I can't support the motion. There's inconsistency in this as well. As I said before, trying to replace peaking power with intermittent power is completely not on at this time until they find the reliability factor of putting up 4,000 megawatts of wind. How much are you actually going to get? Are you going to get 4,000? No, you're never getting 4,000 consistently. You might get 1,000 megawatts out of 4,000, wind generation that's up, installed.

In the meantime they have an objective to replace 7,500 megawatts of energy by 2007. Good luck to them. I hope they can do it. I'm still only paying something less than 5.3 cents a kilowatt hour. You can get it if you charge 10 cents. People would just be in the dark. It's that simple, and most of them will be people who are least able to afford it.

I'm frightened that they seem to have no regard to the threshold for price. What is it? Is it going to be 10-cent power? That, by any other name, is a tax. It's public policy that's driving the tax. You don't need to call it a health premium or a health tax. This is an electricity tax. We knew it. Where was a mitigation agreement and you had agreed originally to the price freeze, which was a six-year window to stabilize supply and demand. There were rewards for conservation. There were thresholds for power purchase agreements. There were incentives for more efficient appliances. You've dismantled most of that.

Again, because I haven't spoken to the last several amendments, I'm just getting on the record with some of the thoughts that we have. I can tie them all back to this.

I can't support this, Rosario, because you're demanding priorities that—at this time I think the government is probably on a much more reliable track of conservation. It is tied to price; no question. I think you have the thresholds wrong. Conservation is important but you won't get 3,000 megawatts out of it on-peak. You need to have peak.

Then there are the reserve issues. What's the reserve capacity? What's the spinning reserve? Who's going to own it? That's a stranded asset if you're not utilizing it. If you can't interchange it with other markets, then the electrons are just blowing in the wind. So it's an interesting discussion.

Mr Marchese: I just wanted to respond to Ms Wynne in terms of her remarks. I'm not underplaying what I'm saying or what I think the government is saying around conservation. I am intentionally saying what I'm saying not to underplay but to state it as we see it.

As we see it, the conservation plan is very weak and the use of renewables is very weak too. We heard in hearings that Germany was able to produce 14,000 megawatts of power by wind generation alone. So there are serious efforts that can and should be made.

What I mentioned earlier was that there are 4,400 megawatts of proposals on green power alone and we're not considering that. They're there.

1540

So we think that what we're proposing is achievable. What we're saying about the conservation bureau is not dissimilar to what many groups came to say in the hearings. Almost all of the environmental groups criticized the conservation bureau in a variety of ways. They said it doesn't have much of a proactive role. It's proposal-making. They used other words which were much weaker than what I'm able to recall. They were able to make suggestions. I forget the words a lot of the groups used, but "It's not terribly proactive" is what they said and what we're saying.

In addition, Ms Wynne says it's embedded in the Ontario Power Authority. Most environmental groups said it should not be embedded; they should be separated, each from the other. It should be independent, with greater powers about what it is they could do with conservation.

What this government dedicated in terms of May's budget was a \$225-million increase to conservation for one year. The money, of course, will be administered, as far as we know, by municipal utilities that would probably otherwise get the money. So we know you've done that, but beyond that, what this conservation bureau is set up to do is not very strong at all.

I don't remember the language about targets, whether they're setting targets or when they're going to set targets, if they're going to set targets and what that is. I don't remember reading that at all. I don't remember people discussing that at all in the hearings. So am I intentionally underplaying this role? Not based on what I heard at all.

The request for proposals for 2,000 megawatts allows firms to propose conservation initiatives that will save at least five megawatts. That's OK. Maybe they will, maybe they won't; I don't know. To ask the private sector to do that seems contradictory, but, God bless, maybe they will do it. Maybe they'll come up with some megawatts of savings through conservation; I don't know. But there are certainly projects aimed at residential conservation which are ineligible. Residential conservation measures are not part of this conservation bureau's mandate. They can't apply for money, which shuts out a complete group of people out there, a lot of people who would otherwise want to get involved in conservation. So I don't see the tremendous, great measures you're taking through this conservation bureau at all.

Then you talk about the idea of shifting power to off-peak times with the smart meters. Again, your government talks about having 800,000 people using these meters. We talked about who's going to buy them. They're very expensive. Are the users going to pay for them? I don't think they will. Is the government going to pay for them? I don't think they will, because it's a very expensive measure. So I don't see a million people buying these things.

In California, on the state's conservation efforts, following the famous blackout, they found that, despite the overall success of the conservation program, peak demand was lowered by only 31 megawatts through the load shifting, compared to 500 megawatts initially planned. So in California, through the load shifting, they thought they were going to get 500 megawatts of savings but they didn't; they only got 31 megawatts of savings.

Mr Ramal: From what?

Mr Marchese: From a projected 500 megawatts of savings in terms of load shifting, they only got 31 megawatts. Some of you are thinking this is going to be great, that one million people are going to buy these meters and it's going to cost them who knows how much.

Mr O'Toole: I think they'll achieve it. They'll shut the economy down, 65% of the market.

Mr Marchese: I don't see this initiative as being a tremendous initiative for the investment people are going to have to make. Besides, we argue that in terms of what you can shift at night from things that you need—you need a fridge to stay on and a whole lot of things need to stay on. There are only some things you can shut down or shift. The washing machine and—

The Chair: Beer fridge.

Mr Marchese: You can't shut the fridge and the freezer down. So there are not a lot of savings. I don't know if you heard me, Kathleen, in terms of California.

Ms Wynne: I did.

Mr Marchese: OK. I don't know; I just don't see it as big. Am I deliberately underestimating? I'm making a case to suggest that it's not as big as you're putting it out to be and I think we can achieve so much more. That's why we would recommend this hierarchy.

Ms Wynne: It's—

The Chair: Mr McMeekin is next.

Ms Wynne: Oh, I'm sorry.

Mr McMeekin: Rosie, I think you make a number of good points, as usual. That said—

Mr O'Toole: You're not supporting it.

Mr McMeekin: No, no. You weren't here when we talked about this early this morning, about the first one precluding almost by definition, given some of what we were hearing, some of the latter ones. It was the hierarchy that caused some concern, I think, when we chatted, when your colleague Ms Churley was here this morning.

Should we be doing more? I think so. Do you remember that discussion about floors and ceilings? People said, "Don't make the 5% a ceiling; make it 4%. It shouldn't be a max." We're having lots of discussions in the government about that.

I know we talked about the metering experience in Germany, using the savings that were realized to actually pay for the meters. That has some benefits. I know you'll say, "Well, you quote that part of the German experience, but not other parts," but that's interesting.

I think we need to be doing more. I think Mr Marchese is bang on. We have the 5%/10% square plan at the moment: 5% target renewables by 2007; 10% by 2010;

5% conservation by 2007; 10% by 2010. We're looking at the—

Interjection.

Mr McMeekin: Yes, but he doesn't know that.

Those are some figures. Are they visionary enough? Maybe not.

I just want to end by telling a true story about the 4.3-cent cap. The day we finished debate on that, the word was out that we were going to cap prices at 4.3 cents. My wife, who's a family physician, got called out to deliver a baby, and my 13-year-old was home by herself. It's not my usual practice to go home—normally, I stay in Toronto when the House is sitting—but I did. I got home and it was just turning dark. Every light in the house was on. She may be a little nervous, but every light there—the spotlights were on, you name it. I came in and said, "Whitney, what's going on here? You've got every light in the house on. What a waste." She said, "Well, haven't you heard? Electricity prices have been pegged at 4.3 cents per kilowatt hour." True story. I thought to myself at the time, "Maybe this isn't going to do much for conservation." We know in hindsight it did virtually nothing on the supply side.

You know what? One of my favourite Kennedy lines is, "Good judgment is based on experience, and experience invariably on bad judgment." You learn from experience. You move on and you try to do it better next time. That's what we're trying to do. And I'm telling her to shut the damn lights off, too.

Ms Wynne: I just want to make a couple of points. To reiterate, the targets we have set that Mr McMeekin outlined are minimums, although the conservation target we have is 5% for 2007; we haven't made a target going forward from that. So if we can do better than that, that's terrific. Maybe we're being cautious, but it would be terrific to be able to get there.

I think it's interesting; Mr Marchese was arguing on both sides of the fence on some of his points. He said that there aren't many savings to be found for small consumers, for individuals in single-family homes. In fact, many of the environmentalists will tell you there are lots of savings for individuals in terms of conservation initiatives. There are lots of ways to save money in people's homes. That's what groups like Greensaver can demonstrate to a family: how their house is not efficient, the appliances, the light bulbs, all of those things. There are lots of savings to be found there. We recognize that. You can't at the same time then say that we're not being aggressive enough. If there aren't savings to be found, what's the point in being aggressive?

We're setting minimum targets and, if we surpass those, that's great. We've got to work with all those individuals to do just what Mr O'Toole was talking about, which is to shift a culture. It's a huge culture shift that has to happen in order for us to be successful, in order for the province to be on a sustainable footing.

1550

Mr O'Toole: It seems to be a very ranging conversation. I guess we'll deal with the amendments in

time. I think it would be important if members of the committee took time to review the alternative fuels committee report, which was unanimously adopted by all parties. I think Marie Bountrogianni was on the committee; I believe Jim Bradley was on it as well. It was actually a very good committee. There was a unanimously adopted report.

One of the key things they had in there is what they called RPS, renewable portfolio standards. Renewable energy, which you're trying to define in regulation, sets a standard. The committee's opinion was that we set a very high standard for renewables. That sets a whole new policy discussion on how, to be blunt, you subsidize the price, by power purchase agreements and other arrangements, which has been done in other jurisdictions, to encourage and incent renewables, which is an economics argument. I think the next wind generation you put up averages the cost down. I think there will come efficiencies of scale. I'm disappointed that there's nothing in here on RPS that I can see.

The other misunderstanding I think is on price at the residential side. Almost without exception, everyone is a price taker. Whether it's 4.3 or 4.8 or whatever the price is, whether or not you turn the lights on or off, Mr McMeekin, makes no difference, because if your neighbour is not responding to something—we pay a blended price, so if I'm conserving and doing all my dishes at night and I've got meters on various things and my next-door neighbour isn't, I'm paying for his or her waste. We pay a blended price. They take all the kilowatts, they average the price and they stick it on every house. That's how it works today. I've not seen anything in the metering technology—there are some utilities that do it; a few of them do it. It's called load management. They have agreements to be able to shut off your hot water heater and stuff like that by a radio signal. I think that would be the first step I would implement. In fact, the alternative fuels committee dealt with that. It was called load management or time-of-rate issues.

If you stick another \$400 on my bill to give me some kind of smart meter that isn't connected through the Internet and it's not smart at all—it's just a bit of load shifting—I'm going to be upset. The way technology changes, I think you should set up a pilot with one, two or three different demand-response kind of instruments, certainly with the large consumers first. If you get into load management agreements with Stelco, Dofasco and General Motors, I think that would be a wise first move—the "low fruit" argument. By the time you get down to the residential side, you should set up things with multi-residential.

I see you're putting meters in every apartment. Who's going to pay for those? Instead of having one meter, you're going to have all the meters. They're going to have to be connected to some infrastructure. Local distribution companies can't handle the billing system they have today, let alone one that's going to have to interpret what I used at my house and what Rosario used at his house, at what time of the day and what was the market price. They haven't got the software in place.

You're going to spend a fortune on some of the small low fruit which is going to be missed, if you follow me.

Go with the large consumers, work through power purchase agreements and other contracted arrangements so they can load-manage at peak times to take General Motors off-line, send the people home, pay GM a certain amount and save 2,000 megawatts so that you don't have to start up a coal plant.

When you get down to the residential side, drive the culture of conservation, continuously drive it, not always through price but certain thresholds. Somebody using over 1,000 kilowatt hours a month probably should have a price penalty, to say, "Look, maybe you shouldn't have all the lights on at McMeekin's house."

That's just advice to the government. It doesn't apply here, but I think the intent of the bill is laudable. I don't support the odious kind of sequence that the NDP are proposing. I think the government needs some latitude here in implementing this. How much new generation could be obtained by conservation? You've got to replace 7,500 megawatts by 2007. That's your goal, and you could do it in a number of different ways. Some of it is renewable, some of it is conservation, and some of it is purely load management, I think. All through that next three years we should all be talking about the residential side; I think you need that much time to switch the culture around. So it's a good discussion.

The Chair: Further discussion?

Mr Marchese: Recorded vote.

Ayes

Marchese.

Nays

Craitor, Fonseca, McMeekin, O'Toole, Ramal, Wynne.

The Chair: It's lost.

Mr Marchese, continue, please.

Mr Marchese: I move that subsection 25.2(1) of the Electricity Act, 1998, as made by section 28 of schedule A to the bill, be amended by adding the following clause:

"(j) to ensure the construction of electricity generation and transmission assets to be held by the government of Ontario on behalf of the public."

This would include ensuring, as one of the Ontario Power Authority's objects, the construction of publicly owned generation and transmission assets.

Just to repeat the argument around this, we New Democrats are strong believers in public power. The way it's organized by this bill and by this Liberal government is that the Ontario Power Authority is not allowed to bid on the green power contracts in any form. As it relates to the 300 megawatts that you're permitting, they can't bid. For the larger clean power process, they may be allowed to be a partner of a proponent but they cannot be in control of that proponent. We think that's a mistake. We

think we should be in this field. We think it's good for Ontarians, we think it's good for the security of our power supply and we think it's good for our ability to be able to control prices through the Ontario Power Authority having an ability to construct, bid etc in new generation.

So I think the government is making a mistake. I don't want to repeat the same arguments as before, but that's the intent of this clause.

Ms Wynne: I think we have made these arguments that we're taking a balanced approach and we're going to need new supply, we're going to need increased conservation, we're going to need mechanisms in place for price stability and we need a hybrid market in order to do that, and that's what we're setting up. We're setting up a balanced sector in order to ensure that stability. I think Mr Marchese and the government are going to have to disagree on this.

Mr Marchese: Just to remind the Liberal members on this panel that McGuinty did say that the market was dead. I don't know how he could be certain that the market was dead in 2003—

Mr McMeekin: What did he mean by that?

Mr Marchese: What did he mean by it? I don't know, but maybe John can help me about what McGuinty thought he meant by, "The market is dead." When the market is dead, it means this, in my humble, New Democratic point of view: It means an end to retailing and an end to the spot market. If he didn't mean that, God knows what the Premier was saying, and you shouldn't trust him to say anything because you don't know what he's saying. So if the Premier wasn't saying what I just explained—ie, an end to retailing and an end to the spot market—then your Premier worries me about whatever he might be saying in the future. That's what he said. He said this because the private market, spot market and retailing was a failure under the Conservative plan.

Interjection.

Mr Marchese: I just remind you—and you might defend the Premier in terms of what you think he might have meant, and I'd be interested to hear any Liberal define to me what you think he meant, because I defined what I think he meant and I'm saying to you, he obviously is changing his view again.

By the way, it doesn't puzzle me, because that's what a Liberal is all about. A Liberal who changes his or her view all of the time, most of the time, before an election, after an election—it doesn't surprise me.

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Mr McMeekin: Talk to us about public auto insurance.

Mr Marchese: OK. Jeff, let me talk about public auto, because—

The Chair: No, no. We're not—

Mr Marchese: Well, he raised it.

The Chair: We'll restrain him.

Mr Marchese: I just want to remind the Liberal members and the watchers that McGuinty had one position on capping electricity prices before the election. After the election, immediately after, he didn't waste—

Mr McMeekin: Based on being revenue-neutral. You know that, and you'd want the viewers to know that.

Mr Marchese: No, no, you can defend it in a second, but McGuinty and the Liberal Party said, "We support the Tories in capping the price," as a result of which we lost approximately \$1 billion. I can't believe that we would allow that. But the Liberals, then, of course, refound themselves after the election. They said, "We can't afford it because the Tories left us with a deficit. What can you do?" They said, "We've got to break a promise." It didn't take them long after the election to break that promise, by the way, and it takes a lot of courage.

Interjection.

Mr Marchese: What we said is, we can't afford to do that. And besides that, we argued that what they were doing was wrong and was causing those unnecessary spikes and that if we didn't allow the private market, spot market and retailing to be in there, we wouldn't be facing the kinds of problems we were facing. And we were going to fix that.

Mr McMeekin: But you voted against protecting consumers with that cap.

Mr Marchese: No. So McGuinty voted to protect consumers before the election, and immediately after the election, he said, "We've got to change our mind."

Mr McMeekin: A billion-dollar shortfall.

Interjections.

Mr Marchese: No, no, no. I simply want to make the point, because it's important to remind people that you've got to remember what Liberal politicians tell you before elections, what they do before and what they do after. It surprises me that McGuinty, the Premier now, would simply reinstitute the very private market that the Tories had instituted—the very same thing. We're talking about retailing and—

Ms Wynne: It's not the same thing.

Interjections.

The Chair: Mr Marchese, you have the floor.

Mr Marchese: Kathleen is saying, "It's not the same thing." I'm sorry. Allowing the spot market means the private market. That's what it means. And allowing the retail back is exactly what they did, is what you're doing; it's the same thing. There is no diminution of it. There is no qualifier. There is nothing—that's what it is; that's the private market. And that's what you've done. Dalton said it was dead before, and now he's reviving it. He's reviving a dead body. He can't do it. He can't really revive it. It was dead then, and it's going to continue to cause problems for us. It will cause problems for you politically, but it will be a heartache for consumers.

Mr Ramal: I don't know why we have to enter this discussion, Mr Marchese. We're dealing right now with Bill 100, with its sections and subsections. We're detailing and regulating hydro in the future, right? We're saying we're not going to sell the heritage assets. We open up for a partnership with the people of this province in order to provide enough electricity. It's simple. Whatever is said and was said before is just irrelevant.

Right now we have the bill that can regulate the future of hydro, so we're either with it or against it. It's simple.

Interjection.

Mr Ramal: You questioned if we're selling the assets or not. You're pretending we're going to sell them in the future.

Mr Marchese: No. You don't want me to repeat the arguments I made earlier, do you?

Mr Ramal: I heard what you said. But we're dealing right now with Bill 100—

Mr Marchese: If you heard me, you didn't quite understand it.

Mr Ramal: We're dealing with Bill 100. We have the sections, right? We're in this section because we thought we dealt with it earlier. We believe we are not going to sell the heritage assets of the province. We also need a partnership in order to have enough electricity to fill the demand, and that's it.

Mr Marchese: It's just not quite it. I understand the heritage assets, right? You're not selling them. We're talking about Niagara power generation and the like. We know you said you're not selling them; we understand that. I didn't say you were. What I said is, in relation to Bill 100 and in relation to this amendment that I'm speaking to, the Ontario Power Authority is not allowed to bid on the green power contracts in any form. I'm saying it's a mistake. They can bid on the clean power processes, but they can't be permitted to control. They can be in partnership, but they can't control. But I said that most of those 2,500 megawatts of power you're producing, mostly gas, will be privately generated. So we're saying the Ontario Power Authority could be doing it, and you're saying the private sector could be doing it. I'm saying that we're disagreeing.

I'm also saying to you that the nuclear power plants that will have to be retrofitted—I am suggesting to you that what you will do is lease it to a private firm, like you did with Bruce Power. I'm suggesting you will do that. I am even predicting you will do that, and I'm saying that—

Mr Ramal: We're saying we're not going to sell the heritage assets. You said, "You are going to do this and this and this." We're saying, "No." It's a bill, and it's clear and obvious. We are going to do what we set out to do.

Mr Marchese: Yes, OK. I'm getting tired, Chair. This amendment will simply permit us to—

The Chair: Yes. Your point's well made.

Mr Marchese: Thank you.

The Chair: Ms Wynne and then Mr O'Toole.

Ms Wynne: Thanks. We are setting up a structure, setting up a market situation that will mitigate the vagaries of the open market. That's what we're trying to do. We're trying to mitigate. We're trying to put some mechanisms in place that will introduce stability into this market. So it's not exactly the same thing as a fully open, fully competitive market, which is what Mr O'Toole's party wanted to put in place. We are trying to walk a line that will create stability for the citizens of this province, and I think you know that.

I'd like to just make a process comment, Mr Chair. We're on amendment 27 of 93 amendments. I'm assuming that Mr Marchese and Mr O'Toole want to spend another day at this, because at this rate, we're going to need another day. I guess I just wanted to make that process comment.

What's the process for extending the time? With 27 amendments of 93, I don't know how we're going to get through them. I guess that's my backhanded way of saying, maybe we should get back to the amendment so we can vote on it.

The Chair: Mr O'Toole, please? Just to the amendment.

Mr O'Toole: That's a good question to leave with the clerk, who could maybe clarify what's going to happen here.

A couple of points: This one here is the public power discussion. I understand Rosario's case here. You've got to look too at a couple of things. Bill 35, which was one of our bills, required divestment of the old Ontario Hydro asset base. Bill 35 said that, over 10 years, I believe—I'm going by memory—OPG, then, would have no more than 35% of the generating capacity of the province. I think that's what it said. Experts could tell me differently.

But in that, there's some need to clarify what you mean by "heritage assets," because there are other plants, and I believe that one is Lennox, which is a co-fuelled plant. I think it's natural gas and oil or coal and oil or something like that. It's cogeneration. I could look it up; it's in my notes. There are a number of those assets that could be hydroelectric, that could be considered as local distribution companies—NUGs, non-utility generators. So "heritage assets" is pretty hard, because the only one that was allowed to put electrons on the system prior to us changing the Power Corporation Act was OPG. It had a virtual monopoly.

Now, I'm not sure, but I believe that many of the consortiums that are being developed are retired or former Ontario Hydro people. They will be the ones will come in with the new corporate structures to have subordinating companies within their organizations designing and building generation facilities, or consulting to build generation facilities, whether they're alternative, renewable, natural gas—whatever. You're going to find out that that was core business. That's why I agree with this part of the bill. I don't want to perpetuate the myth that only OPG knows how to create electrons. That's baloney. In fact, if you look at the whole nuclear experiment—I asked the question of some of the Candu people, how come none of the sophisticated economies of the world, like France, have Candu reactors? Are we mandating more Candus that are inefficient? I asked that to Duncan Hawthorne, actually, if their new proposal to refurbish and maybe even build a new reactor at Bruce requires them to build Candu. Murray Elston was at the same meeting, "liberal" or whatever, telling them, "Sure it's Candu." It's his job to sell them.

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The point I'm making is that I need clarity in what you mean by "heritage assets" because I believe you will be

divesting some assets. I think you'll be co-partnering with new organizations that potentially will refurbish Pickering. Right now, Bruce is going through a review of it's a-side reactors and you've just appointed a person to comment on the plan there. The government will be putting money into that A refurbishment, I'm telling you, through the contract language. If you read the Bruce contract, which was an issue brought up some time ago—it's a very complicated issue; did they get a good deal or not?—there is government money in it. The government money is on the tail end, on decommissioning and taking over the asset as it runs down. How much money is put in to keep it up and how long do they extend the contract? This is a very complicated issue in terms of what is a heritage asset. I'm not sure.

"Heritage" to me is probably Niagara Falls, probably existing and operating nuclear, probably some of the fossil operations. In the future, distributed energy will be a new potential source for power, to avoid loss, line leakage. If you have power generation too far away from its point of consumption, you lose 15% of the power getting it to the point of consumption. So there's a whole series of heritage things here—other generation arrangements, whether it's an LDC, local distribution company, that owns the distribution and the generation, or if it's Cominco or some mining company that's actually operating both. Then there's some relationship with the municipality.

I'm kind of in agreement with the government's position on this going forward, but allowing OPG just to bid, with the same culture and the same redundancies that may be part of some of their processes—it needs to be competed with. That's why in a public forum I say this. I think Bruce Energy is a good example of partnering. It's got the power workers' or potentially the teachers' pension fund, a public sector fund, and other investors as well as British Energy. They're being measured against plants like Darlington, which is in my riding, which is quite an efficient plant. I have to be accountable to the people who work there, as well as my constituents who want to feel safe living there. If I can compare Bruce with Darlington, I'm happy to do that and I'm sure they are too, so they know what the best benchmarks are in the nuclear industry and that they can achieve or exceed those benchmarks, and in every sector.

Water power is a good example of heritage resources. There's all kinds of water power close to the source in the north and it would be a lot cheaper than transmitting electrons up north and losing half the power. If it was done by a mining company that needed those people to live there to help them with mining and forestry, and if they owned the power source, I have no problem with that at all; in fact, I encourage it. It makes good business sense.

Mr Marchese: I want to be brief because I don't want to be perceived to be stalling in any way. First, I get the impression John isn't supporting my amendment.

Second, to respond to Kathleen Wynne's comments about the point of the bill is to mitigate or the point of the private sector involvement is to mitigate—

Ms Wynne: No, that's not the point. I said the point of the bill was to mitigate the vagaries of private sector involvement.

Mr Marchese: The bill—to mitigate?

Ms Wynne: You were talking about the spot market.

Mr Marchese: Yes.

Ms Wynne: We're opposed to people being at the mercy of—we talked about that.

Mr Marchese: Yes.

Ms Wynne: We agree on that piece.

Mr Marchese: What I wanted to disagree with you about is, it won't work.

Ms Wynne: You've said that.

Mr Marchese: Yes, I know. Allowing the retail to come in and gouge consumers and confuse them will continue and it's wrong. The spot market will not mitigate the problems that you're saying. The spot market will continue to cause the unsteadiness—

Mr O'Toole: Uncertainty.

Mr Marchese:—the insecurity, the uncertainty of prices and the delivery of electricity. I think you won't be able to mitigate it. Your bill will not mitigate it because of the involvement of the spot market and retailing. I wanted to respond to tell you that.

The Chair: Mr McMeekin, quickly, and then Ms Wynne.

Mr McMeekin: When I ran for mayor in 1994, the late, great, Sterling Hunt, a farmer up in Lynden, gave me the best political advice I've ever received. He said, "Tell them what's broke and how you're going to fix it."

When the opportunity came to run provincially, I went back to Sterling, because he never steered me wrong. I said, "I'm thinking of moving into the provincial arena." He said, "It's different. You have to understand, it's not like being a mayor." I said, "What do you mean?" He said, "In provincial politics you ride down from the mountains after the battle is over to shoot the wounded." I get the very distinct feeling that no matter what we do, a lot of people, some even within our own party, are riding down from the mountain to shoot the wounded.

So we do need to move on. Einstein said you can't solve the problem created by taking all the same approaches. We don't want to do that. We want to try something different and see if it works. We're optimistic it will. Stay in the mountains a little longer, guys.

Ms Wynne: I wanted to just go on the record with the draft regulation that, in fact, you should have a copy of, Mr O'Toole. You had a question about the heritage assets. This draft regulation is in the public realm. It was given to you as part of the package on the committee and prescribes the following hydroelectric generating stations located in the Niagara region: Sir Adam Beck 1, Sir Adam Beck 2, Sir Adam Beck pump generating station, DeCew Falls 1 and 2, the R.H. Saunders hydroelectric generating station on the St Lawrence River, Pickering A and Pickering B nuclear generating stations, and Darlington nuclear generating stations. So the heritage assets are—it's very clear what we're talking about. I just

wanted you to know that is available and you should have it in your package if you check. Thanks.

The Chair: Thanks, Ms Wynne.

Mr Marchese has asked for a recorded vote. All in favour of the amendment?

Ayes

Marchese.

Nays

Craitor, Fonseca, McMeekin, O'Toole, Ramal, Wynne.

The Chair: The amendment is lost.

Mr O'Toole: I move that clause 25.2(5)(i) of the Electricity Act, 1998, as set out in section 28 of schedule A to the bill, be struck out and the following substituted:

"(i) to borrow on the OPA's credit with the approval of the minister."

This is very important because it just says "to borrow on the OPA's credit." Earlier, I raised this issue of creditworthiness, and Ms Wynne has kindly provided a document dated August 17 by the Dominion Bond Rating Service on OPA, the Ontario Power Authority. I have that. Thank you very much for providing it. But I do think it's important not to just provide it but to read it. I'm going to read into the record—the rating is "A (high)" and the quote here that I'm reading from, this transcript provided by the Liberals, is:

"The rating is based on the rating of the" Ontario provincial government, " ... (currently rated AA, with a negative trend),"—note that; probably since October last year—"given that OPA is a creation of the province and will receive its powers through provincial legislation and regulation."

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As such, in my view, the government and the taxpayers of Ontario hold all the risk and all the debt. Let's be clear: The Dominion Bond Rating Service did not underwrite OPA as creditworthy whatsoever. In fact, if you go on:

"The OPA's creditworthiness is supported by ... ('Bill 100'), which provides the OPA with a strong ability to meet its obligations, including contract payments"—basically, the implicit support from the province given to the OPA. In other words, you are the debt holder.

That's the point that I want to be made here: The creditworthiness of the OPA has always, early on, been in question by the presenters, those from the marketplace who want to make certain, in their contract arrangements with the OPA, who's going to pay the debt. Ultimately, it's the taxpayer who's going to pay it through rates or taxes. So I need to be certain that the minister approves the credit rating at the OPA.

What we're doing is giving a third-party, independent—who are they? They're not even being approved by any committee that sits on this, the OPA and

the board of directors. They've just exempted the whole review process here and whether or not they can have conflicts etc. They exempted that in an earlier amendment.

Now these potential persons of Liberal leanings are going to come in, much like the ad scandal in Ottawa, and raid the taxpayers of Ontario by committing us to potentially building a whole bunch of gas-fired plants. If you read the futures prices on gas, get ready. Get ready. They're forecasting a 35% increase in gas prices—35%. That's going to show up in the bill. Now, you're going to have a contract. The OPA is going to make all these agreements out into the future to spend this amount of capital. "We'll guarantee you this much for each electron you produce if you'll come on," or run in spinning reserve, they call it. So you're not really on the grid; you're just blowing electrons. Who's paying for that? You are. You're either paying it in rates or you're paying it in taxes. That's the risk here. I want the minister to stand up in the House and say, "We have some exposure here. The OPA's asset liabilities statement as of this year is \$1 billion," or \$2 billion or whatever it is.

I'm happy with parts of this provision. If I go back a bit earlier, it does say that the Provincial Auditor "may" audit the accounts and transactions of the OPA and the IESO. I think that should be strengthened. I may have been remiss here. I'm too late to put an amendment in—unless, of course, I was a government member; they were late and that was permitted—to change "may" to "shall" audit the public accounts.

Would you not agree with that, Mr McMeekin? It's just a creditworthiness question that needs some time.

Thank you for that copy, Ms Wynne, which clarified that the OPA has no credit at all. It's the province of Ontario.

Ms Wynne: I just want to be clear about what Mr O'Toole is suggesting be removed from the bill. My understanding of what he's saying is that the following object of the OPA would be removed:

"To collect and provide to the public and the Ontario Energy Board information relating to medium and long-term electricity needs of Ontario and the adequacy and reliability of the integrated power system to meet those needs."

We really feel it's important that that object remain.

With respect to the OPA's creditworthiness, the OPA doesn't exist yet. It's being set up. It has an A (high) rating, based on what we've laid out in Bill 100, and I think it's clear that the plan is good. That's what the A (high) rating means. So I won't be supporting this amendment.

Mr O'Toole: I'm surprised that—

Mr Marchese: Can I just ask a question, just to understand it? It says:

"... and the following substituted:

"(i) to borrow on the OPA's credit with the approval of the minister."

This language here—and I don't know what precedes it—would allow the OPA to borrow, obviously. Are you

saying this is not good, or good? I don't quite get it, in terms of how you've written this.

Mr O'Toole: If you look at clause (i), which it's actually amending—that's the only section it's amending—it currently reads, "to borrow on the OPA's credit." All it does is add "to borrow on the OPA's credit with the" minister's approval. So all it's doing is saying that. Let's be clear: The OPA in itself is not a crown agency. It's not really defined. In fact, it's not passed, even though we've been given—Dominion Bond Rating must approve or believe it's going to be—

Interjection.

Mr O'Toole: Do you understand: All it's saying is that the minister has to sign it. The minister should sign it, because ultimately, you and I are elected and the Premier is elected and the minister is elected, and they have to explain to the people why he wouldn't let the OPA pass on certain tariffs.

Mr Marchese: John, that's a good point. Let's hear the answer to that.

Ms Wynne: I think I've made the point about the credit rating. That was your concern. I think we've answered that question.

Mr Marchese: His concern is that it just adds "with the approval of the minister."

The Chair: Ms Wynne, you have the floor. Continue.

Interjection.

The Chair: Mr Marchese, could we wait till Ms Wynne responds?

Mr Marchese: I just wanted to help clarify.

Ms Wynne: Right, and what we're saying is that we think the creditworthiness of the OPA is in place, so we're not going to support the amendment.

Mr Marchese: Chair, what about the whole idea of oversight by the minister in this regard, just to continue the extension of the argument he made earlier about other issues?

Ms Wynne: There's ministerial oversight of the processes of the OPA. We've put that in place. You're asking that we attach ministerial oversight to every section. That's not what we're going to do. There's ministerial oversight embedded in the processes that are in this framework.

Mr O'Toole: I'm afraid we're into—and I'm not trying to be confrontational here. What I say is this: According to Dominion Bond Rating, as well as experts I've talked to in the financial marketplace, they need certainty before they assess risk. The way the bill is structured, this assessment means that the government is on the hook. That's basically what they say, and that's basically what I've heard.

If that is the case, let's be clear with the people of Ontario. What we're saying is that we have a non-elected authority, an unelected, unaccountable body with no oversight by an all-party agencies, boards and commissions committee, or any oversight. Minister Dwight Duncan can appoint his great big bagpeople to oversee this activity and be the directors. None of us will even know who they are, and you won't either. All of a

sudden, they find out that it's gone off the rails a bit. They've contracted for wind power that couldn't deliver; they've contracted for natural gas and the futures prices go through the wall; and all of a sudden they're saddled with a \$4-billion to \$5-billion debt. The way it's currently structured, that debt is off-book debt. It's going to look like OCWA, the clean water agency under your government a few years ago: Off-book debt was all it was.

This is a transparency issue. I urge you: If you agree with one amendment, I'll support the bill, even though there are parts that I don't like. I can live with a lot of it; it's the same as ours. It's probably written by the same ministry civil servants, actually. They have a pretty good idea of this—much better than ours.

I would say that if the minister could just do this one thing: approve or bring to the House or consult, as we've asked earlier, in some forum on whether or not the OPA should sign a 10-year contract with some fossil plant in the middle of Timbuktu or with Manitoba—the big dam in Manitoba—that is a mistake. Howard Hampton cancelled that contract with Manitoba to build that power line all the way down in 1993 when he was Minister of Natural Resources—did you know that?—because they realized they were going to lose about 15% of the electrons by the time they got to where they would be consumed.

All I say is that you need to be clear with the people of Ontario to allow the minister to approve the borrowing schedule for the OPA. It's that simple. It doesn't mean they can't borrow; in fact, I encourage it. It's an agency that's going to coordinate contracting. If you look at their terms of reference, "OPA has the capacity, rights, powers and privileges of a natural person for the purposes of carrying out its objects ... to enter into contracts relating to the procurement of electricity supply in or outside Ontario; to enter into contracts relating to the procurement of electricity supply and capacity using alternative energy sources ... to enter into contracts relating to the procurement of reductions in electricity ... to take such steps as it considers..." These are all things we should be involved in that you're going to get blamed for. At the end of the day, if they screw up, who are they?

It's sort of like what we did with the transitional board of directors for the new OPG. I stand, in retrospect, to be considered for what Eleanor Clitheroe and all those people got paid. That was unacceptable to me. It was then and it is now. I didn't know anything about it. All I'm saying here is that it gives you an opportunity to do the right thing.

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I'm putting this on the record: I think we did not do the right thing and build enough transparency and accountability when we set up the new structures. I have the greatest respect for the IMO and Dave Goulding. I'm saying that in public. I didn't know Eleanor Clitheroe. By the way, Eleanor Clitheroe was deputy minister to Floyd Laughren when he was Minister of Finance. Did you know that? It was all inside baseball. I haven't got a clue about how she got there.

I can just say to you, if you get through with—the OPA is the biggest deal. They're the ones that are going to put the money out there. Whose money is it? It's your constituents' and mine. It's their money. At least let the minister stand up in the House and say, "We have given approval for \$1 billion or a line of credit of \$50 billion," or whatever it is. I think the number is more like \$10 billion. That seems fair. I passionately implore you to support me on this one. I'll even support some of your amendments, even if I disagree with them.

The Chair: Wow. Mr Marchese, please.

Mr Marchese: Just briefly, it's so wonderful to get a proud history of Conservative involvement in this hydro file—

The Chair: What Mr O'Toole is telling us is that he was never on the yacht with Eleanor. He's telling you that today.

Mr Marchese: —about transparency and the appointment of certain individuals and so on. But you admit there was a problem.

I wanted to simply point out a little inconsistency with the Liberal arguments here in this regard. On different occasions they have made oversight by the minister a critical part of this bill. What they're now saying in this regard is that they don't need oversight. I believe it's an inconsistency.

The OPA can borrow—that's OK. What the Conservative member is saying is, "The minister should approve." In my view, it would follow, by the logic that has been applied so far by the Liberals on other matters, that maybe the minister ought to have some oversight in this regard as well. I don't see that as a problem. I'm a bit surprised there is opposition to that. I don't think it's a problem at all, actually, to have the minister approve it. I think it's probably good oversight. I just thought I'd point that out.

Ms Wynne: I appreciate the deal that Mr O'Toole is putting forward. I don't think we're going to be able to shake hands on that particular deal. What I'm not clear about is whether Mr O'Toole actually understands what the OPA is doing, which is not building generating stations. What the OPA is doing is building a plan. The OPA is going to be gathering data, providing the public with information, signing contracts and so on, but it's not building.

I'm not sure exactly where the concern comes from. The whole system has ministerial oversight as part of the process, so I think it's not necessary here. As I've said, if creditworthiness is the issue, we've got a good indication already that the bodies that measure creditworthiness think we're on sound footing with the way we've set up the processes in Bill 100.

Mr Marchese: When we're dealing with retrofitting a nuclear plant, who borrows the money to pay for that? Is it the new Ontario Power Authority? Wouldn't it be them?

Ms Wynne: I'm going to have to ask staff to answer that question.

Mr Marchese: That's my point. My point was that it has nothing to do with new generation.

Ms Wynne: No, I understand your point, but I'd like to get some clarity.

The Chair: Mr Marchese, we have some people from the—

Ms Wynne: That would be great. Thanks.

Mr Marchese: I'm not trying to delay you.

Ms Wynne: No, no.

The Chair: Sir, could you just identify yourself for Hansard, please?

Mr Rick Jennings: Rick Jennings, director, energy supply and competition, Ministry of Energy.

Mr Marchese: What's your title again?

Mr Jennings: Director, energy supply and competition.

Mr Marchese: "And competition" or "in competition"?

Mr Jennings: "And competition."

Mr Marchese: Isn't that interesting. Is that a new title?

Mr Jennings: It's probably about a year old.

Mr Marchese: Since they came in, or before?

Mr Jennings: Preceding them.

Mr Marchese: It does, eh? We'll have to check that out.

Mr Jennings: I didn't really come up to talk about that, though.

The Chair: Proceed, sir.

Mr Jennings: In terms of nuclear plant refurbishment, if it's an OPG nuclear plant, then OPG would have to finance that—OPG, not the OPA.

If Ontario Power Generation, for instance, have approval to proceed with unit 1 of Pickering A, they will have to finance that. Some of it would come from their cash flow and some of it, depending on their cash flow, they may have to borrow. But the Ontario Power Authority is principally identifying resource requirements. They will then put out, for instance—the RFP that we were talking about—the 2,500 megawatts. Those would result in contracts with generators. Nothing is paid until the generation is actually built and operating, and then there would be monthly payments based on either their production or their available capacity.

Mr Marchese: Just to stop you for a second: OPG becomes OPA.

Mr Jennings: No. The example of the nuclear plant refurbishment: If Ontario Power Generation did that refurbishment, and the example is the Pickering A unit they've been approved on, they have to finance that themselves and then they have to recover those costs. In this case it would be the regulated rate; if it were someone in the market, it would be through the market price.

The Ontario Power Authority, on the other hand, will be principally contracting with other generators. So their borrowing requirements related to the generation and capacity contracts would be fairly small. They will have monthly operational things, and I think that's principally, in terms of why it's not set out that they would have to get ministerial approval all the time, that it's expected they would have fairly modest borrowing requirements.

Mr Marchese: Yes; on the 2,500 megawatts of power, obviously, that we're talking about.

Mr Jennings: Yes.

Mr Marchese: They would be partners with others and not controlling it, something we talked about earlier, so it's not a lot of money we're talking about.

Mr Jennings: Ontario Power Generation could participate in that RFP, but as part of a partnership.

Mr Marchese: OK.

Mr O'Toole: That's very good. I think that clarifies with OPG's position that they had to issue a bond to get the money to build the plant and they had to establish a cash flow when they started to sell electrons, right?

Mr Jennings: Yes.

Mr O'Toole: That's it. That's how that works.

Mr Jennings: That's for Ontario Power Generation.

Mr O'Toole: They carry the debt and they're a crown agency.

Mr Jennings: Yes.

Mr O'Toole: If they're contracting with—let's say there's a review of Bruce Energy on the A reactor. It's not government; it's the private sector. There would have to be capital expended either through the investment market to refurbish those assets or other contractual agreements made through rate or other—

Mr Jennings: Yes.

Mr O'Toole: Who is going to be making that agreement? Is it going to be OPA with Bruce? And Bruce could be guaranteed a cash flow to repay the debt or build confidence with their investors.

Mr Jennings: Yes. The Ontario Power Authority could contract with Bruce. You referred to the Bruce negotiators. The government is already engaging them in discussions about that. But an example could be that there are two Bruce units that potentially could be refurbished. They could enter into a contract for those. If Bruce Power needed to spend money to refurbish it, they would have to borrow on their behalf or finance it through their cash flow or whatever. Once they were producing power under this contract, they would start getting paid whatever the payment arrangements were under the contract.

Mr O'Toole: That's how OPA would make payment arrangements? "We'll pay you so much based on"—

Mr Jennings: Yes. So the flow is that when the OPA is making these payments, those payments get flowed through to customers on the month. But they wouldn't be financing the project up front. The proponent would be financing on the basis that they would ultimately have a contact.

Mr O'Toole: That clarifies it to some extent. What it says to me is that a third party—I don't criticize it, by the way—is out making these very sophisticated agreements on supply and assurance of supply and all kinds of contract arrangements based on the goals and objectives of this supply and stability act, or whatever it's called, so that they will have no real capital debt liability.

Mr Jennings: Very limited. They may have, for operational reasons. The Ontario Power Authority itself is

principally a contracting agent in terms of their financial flows.

The question about the credit rating has come up because independent generators, people who want to build projects, in order to finance their projects, need to know that they're dealing with a creditworthy counterpart. So the Dominion Bond Rating Service, and Moody's as well, has said that, based on the legislation as put forward, they would give it creditworthy rating.

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Mr O'Toole: That's where it becomes a bit circuitous. If they make a contract with a supplier who can't deliver, and they've got a contract that says, "We're going to pay you so much based on these agreements," in that respect the province will hold the debt. Let's say that it becomes very inefficient, as you know it has—many of the natural gas plants have not run because the price of the source fuel was too expensive and the contracts they had just didn't permit them—before they had to take a loss as opposed to an exceptional cost.

Mr Jennings: Yes.

Mr O'Toole: These things will occur, and at the end of the day these contracts that have been made—we may have to go out and repurchase the power based on some third-party supplier, whether it's the US or whatever. This is what I'm talking about. It's such an important issue where it will affect price based on what agreements it made on price independent of the systems operator, the energy board—I know it's a huge, large and important organization. I have a lot of respect for the IMO. I'm not sure why we got that all separated when we've just improved some of its functionality, but we're well beyond that in this bill.

Mr Jennings: In terms of the potential liability, an example is that the 300-megawatt renewables RFP will be based on payments based on production. So it would be so many cents per kilowatt hour. So if a producer did not produce power, the Ontario Power Authority wouldn't have any liability to pay them and those costs wouldn't come from the consumers. So part of it is how the contracts get structured. You'd want to put the risk of operating and maintaining availability on the actual generator.

Mr O'Toole: This is productive, and I'll tell you why. If you look at the real cost of wind power, it used to be stated as 11 cents; now it's in the order of seven cents per kilowatt. Now, if you're marketing power at 4.3 cents, 4.8 cents and 5.3 cents, whatever the number is, for the actual electron charge, if you're going to subsidize it, is it the OPA that's subsidizing it? Where does that cash flow come from for them—the real cost? If they're only doing a 30-megawatt project and it's going to take them, to get up to stream—they're going to have to be subsidized, directly or indirectly. Directly will be through rate, rate which will be spread by the energy board or rate which will be directly subsidized through government policy, which would be—I don't know; they could do it a number of different ways—through tax strategies.

Mr Jennings: The cost of the contracts would be passed through each month to customers in their bill. The

customers who are on a stable rate plan—that's dealt with in the variance accounting; the rate plan would try to forecast that, but there might be some variance. But the idea is that the payments under those renewable contracts get settled that month with the customers on the other side. So there would now be—

Mr O'Toole: So it's going to be subsidized by the rest of the rate, really.

Mr Jennings: The cost is going to be picked up by the rest of the ratepayers, yes.

Mr O'Toole: That's very helpful. I'm thankful that we brought staff to the table. The arguments being made, if I'm correct, the heritage assets—whether they're nuclear and they're costed correctly is a whole debate for another day. But they're actually going to be subsidizing these new renewables, because they're cheaper. They're saying that they can do coal and they can do nuclear at three and four cents, but some of the stuff we're bringing on-line is going to be five-, six- and seven-cent power.

Mr Jennings: The system will work so both the regulated price adjustment and the adjustment potentially for the renewables or some others will all happen the same month.

Mr O'Toole: So it will all look like it's a blended rate. Is that right?

Mr Jennings: Yes. There will be an adjustment that deals with all those—contract and regulated price. It will flow through basically settled on the bills of the month, so there isn't going to be an ongoing fund or something.

Mr O'Toole: I thought the OEB could only set the price once a year.

Mr Jennings: Well, there is going to be a variance account to deal with the difference between the rate plan—

Mr O'Toole: Which will carry forward?

Mr Jennings: But when they set the rate plan, they're to look at the expected market price plus the various adjustments. In other words, they would be looking at the sum total of the regulated generation assets, at the contracts for renewables, the other types of arrangements, and the market price, and while they're obviously going to try to forecast so that it will be the same, there will inevitably be some month-to-month difference between what the rate plan customers pay and these, and that will be a variance. The next year, when they settle it and set the new rate, they will clear the variance account.

Mr O'Toole: Thank you, Mr Jennings. That was very helpful—to me, anyway.

The Chair: Any further discussion? All in favour of the amendment?

Mr O'Toole: Recorded vote.

Ayes

McMeekin, O'Toole.

Nays

Craitor, Fonseca, Ramal, Wynne.

The Chair: The amendment is lost.

Mr Marchese, please, number 29?

Mr Marchese: Yes, I'm here. I move that section 25.2 of the Electricity Act, 1998, as made by section 28 of schedule A to the bill, be amended by adding the following subsection:

"OPG restrictions

"(6) Ontario Power Generation has the right to bid on all contracts for electricity supply, but its bids must not include adding new capacity for generation by coal or nuclear reaction."

That's quite self-explanatory. Obviously, this would allow the OPG to bid on all contracts so that Ontarians would have the benefit of public power and not just private power in new generation. I made arguments about this before, and I don't want to belabour the issue, Mr Chair. I'm ready for a vote.

The Chair: A recorded vote's been requested. Discussion?

Mr McMeekin: Yes, briefly. In the fullness of time, we may come to that conclusion, but I think it's too early at this point to make that determination. If it was just limited to coal, I would support it. But with the nuclear side, which, frankly, I'm still struggling with, I think there are some issues that we need to explore there. The Darlington tour was helpful to me, as were some of the other presenters. I'm having a little difficulty with the nuclear, described in this house as the quintessentially green energy. I'm having a little trouble with that. But I think it's too soon. I think this jury, personally, is still out, and I think many of us feel the same way. I don't want to tie our hands by supporting it at this point.

Mr Marchese: Recorded vote.

Ayes

Marchese.

Nays

Craitor, Fonseca, Ramal, McMeekin, Wynne.

The Chair: It is lost.

The next one—Mr O'Toole has left for a moment. Ms Wynne, then, to keep proceedings going?

Ms Wynne: I think we've talked about the need for an expeditious process. This amendment would slow that process down. We need to get moving, so we're not supporting it. I'm not supporting it.

Mr Marchese: And we say that people should go through a standing committee process, we really do.

Mr McMeekin: We've had this debate already.

Mr Marchese: We did. We're just repeating our arguments. We think the Liberals are wrong.

Mr McMeekin: I suspect nobody's changed their position on it.

Mr Marchese: Does it have to be read in for the record, Mr Arnott?

The Clerk Pro Tem: The proposed motion from Mr O'Toole would have to be read.

Mr Marchese: It has to be read by him?

The Clerk Pro Tem: Yes.

Mr Marchese: Could I just read it for the record on his behalf?

The Chair: I don't believe we can do that, Mr Marchese.

Mr Marchese: OK, then. That's fine.

The Chair: We'll just stand down now until he gets back. Ms Wynne, please?

Ms Wynne: I move that subsection 25.4(4) of the Electricity Act, 1998, as set out in section 28 of schedule A to the bill, be struck out and the following substituted:

"Directors

"(4) No person who is a member of a class of persons prescribed by the regulations may hold office as a director of the OPA."

Mr McMeekin: It's pretty obvious.

Ms Wynne: Yes, I think it's clear what we're doing here. It mirrors what we've done in a previous amendment.

Mr Marchese: I'm sorry, could you explain that briefly for me, because I wasn't here then?

Ms Wynne: Right now, Bill 100 lays out some very severe restrictions on people who may serve as independent directors. We dealt with this vis-à-vis the IESO. What this amendment does is provide that that enumeration of those restrictions would be done in regulation. We received advice that they were too restrictive and we weren't going to be able to find people to fill the roles. So we need to go back to the drawing board and rewrite those restrictions.

1650

The Chair: Any further discussion? All in favour of the amendment? Opposed? It's carried.

The next two are Mr O'Toole, and he's not here. Let's go to 34. Mr Marchese?

Mr Marchese: I move that subsections 25.11(1), (2) and (3) of the Electricity Act, 1998, as made by section 28 of schedule A to the bill, be struck out and the following substituted:

"25.11(1) The minister shall establish an office known in English as the Conservation Bureau and in French as Bureau des économies d'énergie to provide leadership in planning and coordination of measures for electricity conservation and load management in Ontario and to engage in such activities as may be prescribed in the regulations.

"Chief energy conservation officer

"(2) The chief energy conservation officer shall be responsible for managing and supervising the management of the business and affairs of the Conservation Bureau.

"Appointment

"(3) The minister shall appoint the chief energy conservation officer."

This would establish the conservation bureau as an independent entity. The current bill has it as an office within the Ontario Power Authority. This, by the way, agrees with many environmental groups who came before us in virtually all the hearings we held outside of Toronto that said that this conservation bureau ought to

be independent. There wasn't one group that probably disagreed with this. I suspect that most of us will remember that the majority said it should be independent. We agree with that. We think it should have its own objectives without having to be impeded by or responsible to or subsumed under the authority. We think it would have more authority on its own. We put it forth in agreement with so many groups who suggested as much.

Ms Wynne: This is an issue that we heard a lot about, as Mr Marchese has said. We have talked about it and have deliberated on this long and hard. The decision is that we believe it is in the best interests of the people of the province that we have an integrated model, that the conservation bureau not be marginalized by being separate from the Ontario Power Authority, but that it be embedded in the Ontario Power Authority. Its role is to provide assessments and forecasts to the power authority. The power authority then builds a plan that it takes forward, and in that plan will be reflected the considerations that have been brought forward by the conservation bureau. What we want is for there to be a seamlessness there. We don't want the conservation bureau to be a body that doesn't have to be attended to. As I say, after much conversation, our position is that this model will provide a more integrated model and will actually give the conservation bureau more status in the creation of the plans that the Ontario Power Authority puts forward.

Mr Marchese: Mr Chair, I don't agree with the arguments and I don't remember any one environmental group coming to make the case that the Liberal members have concluded. This is an argument that they're making. We think it's not the case. We think that their independence would make them stronger, not weaker. I just thought I'd say that.

Mr McMeekin: There were many groups that spoke to this issue, and some did suggest, enthusiastically, as a matter of fact, that the conservation bureau be spun out separate and distinct. But the more predominant comment—and I've gone over these, made as copious a set of notes as I can—the overwhelming concern that was being expressed wasn't so much about the structure as it was about not seeing conservation marginalized. I think it was Jefferson who said, "On matters of principle, stand like a rock. On matters of taste, swim with the stream." In this regard—we've looked at it, the minister has looked at it and others have looked at it—we feel that the best way to stand on the principle is to make sure the principle of conservation isn't marginalized or ghettoized, that it in fact is integrated and becomes part of the everyday working assumptions. So we believe, in that context, that most of the groups that expressed concern about the conservation principle would in fact embrace that.

Mr O'Toole: Generally, I can support the government's intent here as diversification and the supply side. I understand the public power argument. I've heard it several times today and I've read a copy of Public Power as well. So I think I'll be voting against this amendment.

Mr Marchese: I just wanted to put a different view from Ted's. His notes are not what I remember, based on what you said. Most groups felt that if they had a conservation bureau that was independent, it would probably be much more engaging and much more focused on what it ought to do by way of conservation. That's what I think they meant. Most of them did say that while it has the power to undertake conservation programs directly, its main role seems to be as an enabler, as a facilitator. A lot of groups spoke to that in terms of its weakness. That's why I believe they were saying an independent bureau would be much more aggressive in its conservation kinds of suggestions and ideas. That's what I remember. I don't remember it like that at all, Ted.

Mr McMeekin: I have a slightly different recollection, but you may be right; I don't know, Rosie. I know that many groups articulated that they wanted to see conservation expressed as a distinct and particular value, and I think we've made some efforts to do that.

If I can be so crazy, I suppose, maybe it's the difference between being in caucus and being in cabinet. If you want to advance a case, it's a little easier if you've got some of the key players right there at the table. We want to make the conservation players key people, and we think this is the best way to do it. We may be right, we may be wrong, but at the moment we think that's the best way to go.

Mr Marchese: Recorded vote.

Ayes

Marchese.

Nays

Craitor, Fonseca, McMeekin, O'Toole, Ramal, Wynne.

The Chair: It's lost.

Mr O'Toole, in your absence we stood down a couple of your motions, and we'll go back.

Mr O'Toole: I appreciate that.

I move that clause 25.4(2)(b) of the Electricity Act, 1998, as set out in section 28 of schedule A to the bill, be struck out and the following substituted:

"(b) 10 additional individuals who are appointed by the Lieutenant Governor in Council and ratified by the standing committee on government agencies."

The previous argument I put forward stands here. It's the issue of transparency and accountability as outlined in the Liberal election document, Government that Works for You. I won't cite that again. But for those who have an interest in Hansard, it seems to me it gives the minister absolute authority to appoint people who, in my view, need to have some oversight for the public good in this commodity area of electricity.

Mr Marchese: Recorded vote.

Ayes

Marchese, O'Toole.

Nays

Craitor, Fonseca, McMeekin, Ramal, Wynne.

The Chair: It's lost.

Mr O'Toole: I move that subsection 25.6(2) of the Electricity Act, 1998, as set out in section 28 of schedule A to the bill, be struck out and the following substituted:

"Exception

"(2) Despite subsection (1), the appointment of the first chief executive officer of the OPA shall be made by the Lieutenant Governor in Council and ratified by the standing committee on government agencies, but nothing in this subsection prevents the board of directors of the OPA from appointing any subsequent chief executive officer."

It's the same argument here; it's accountability. If you look at the section, it says that the minister shall appoint them. Again, in the previous amendment the Liberals have moved that they have removed a number of the clear exceptions before where there may be perceived or real conflict. With your indulgence, that's the point I'm making.

Mr Marchese: John, the first part says that you've got to refer this appointment through a standing committee, and you're saying that further ones don't have to. What's the logic of that?

Mr O'Toole: Once the board is established and these people are appointed by a process, they among themselves could appoint the CEO. I think that's what exists today. It's just the first one that's going to be appointed by the minister. "The board of directors of the OPA shall appoint a chief executive officer of the OPA." That's 25.6(1).

Mr Marchese: That's quite clear.

The Chair: Any further discussion? All in favour of the amendment? Opposed? That's lost.

Mr Marchese: Mr Chair, the time? I know you would like to finish more business, but we agreed that at 5 we are ending our business.

The Chair: Can we just tie up this last one?

Mr O'Toole: Yes. I move that section 25.9 of the Electricity Act, 1998, as set out in section 28 of schedule A to the bill, be amended by adding the following subsection:

"Same

"(2) Despite subsection (1), no delegation of powers or duties shall be made to a person who is ineligible to hold office as a director of the OPA by reason of subsection 25.4(4) or to a body that is an entity referred to in that subsection."

Arguably, there was a previous amendment by the Liberal government that precludes a lot of those restrictions of appointments. I just think there needs to be some oversight into the governance of both the OPA and the IESO. That's really all I'm asking for here, a sense of oversight, not to diminish the power of the government to do as they wish, which they certainly will. That's my argument.

The Chair: Discussion?

Ms Wynne: We've actually made this argument before. What we're trying to do is not limit input from the people we need to hear from. So I won't be supporting this amendment.

The Chair: Any further discussion? All in favour of the amendment? Opposed? It's lost.

This committee stands adjourned until 10 tomorrow morning.

The committee adjourned at 1703.

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Electricity Restructuring
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STANDING COMMITTEE ON
SOCIAL POLICYCOMITÉ PERMANENT DE
LA POLITIQUE SOCIALE

Thursday 16 September 2004

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*The committee met at 1003 in room 151.*ELECTRICITY
RESTRUCTURING ACT, 2004LOI DE 2004 SUR LA RESTRUCTURATION
DU SECTEUR DE L'ÉLECTRICITÉ

Consideration of Bill 100, An Act to amend the Electricity Act, 1998 and the Ontario Energy Board Act, 1998 and to make consequential amendments to other Acts / *Projet de loi 100, Loi modifiant la Loi de 1998 sur l'électricité, la Loi de 1998 sur la Commission de l'énergie de l'Ontario et apportant des modifications corrélatives à d'autres lois.*

The Chair (Mr Jeff Leal): I'll bring this meeting of the standing committee on social policy to order. We'll continue on where we left off yesterday. First up is Mr O'Toole.

Mr John O'Toole (Durham): I hope there's quorum.

The Chair: Yes. We're fine.

Mr O'Toole: Gosh, I thought we were going to have an easier day. Hi, Donna, good to see you back.

The Chair: Welcome, Donna. Good to see you.

Mr O'Toole, please.

Mr O'Toole: Yes, section 28 of schedule A: I move that subsection 25.11(3) of the Electricity Act, 1998, as set out in section 28 of schedule A to the bill, be struck out and the following substituted:

"Appointment

"(3) The appointment of the first chief energy conservation officer shall be made by the Lieutenant Governor in Council and ratified by the standing committee on government agencies and the board of directors of the OPA shall appoint any subsequent chief energy conservation officer."

This amendment is intended to ensure that the appointment of the first energy conservation officer is subject to an open and accountable process, that it's subject to review by the legislative committee of government agencies. I think we made these points yesterday. It's so important to build confidence en route to establishing this new bureaucracy in energy and I move it with genuine motives of making sure that the people have confidence.

As you know, during the hearings we heard a great deal of criticism of this portion of the bill, that there wasn't any degree of separation between the authority under the OPA as well as the conservation commissioner.

I think that needs to be addressed and this might be one way of resolving this public interpretation or impression of this concordance of the two functions of the power authority and the conservation functions, which are very important to the success of your future programs.

Mrs Donna H. Cansfield (Etobicoke Centre): We will not be supporting this amendment. It's really important that a process be put in place that is expeditious in terms of setting up the OPA and the conservation bureau as well. Part of the reason for that is we have had many years of mismanagement around the issue in the energy sector and we feel that, if we put this forward in an expeditious way, we can manage this in a better way.

The other point that I think is really important is to recognize that within the bill itself, although we set up the first appointment, all subsequent appointments are as a result of the boards. There are very strict guidelines and they are articulated in the bill. I think we need this flexibility in the beginning to get up and going, but certainly there are restrictions in place once we are up and going.

Mr O'Toole: Without belabouring it, I'm hoping that Mr Marchese shows up because he usually has a lot of good comments to make.

Interjection.

Mr O'Toole: I'll take his time.

I just want to make reference again to document number 5, which was your Liberal election promise. In it, it gave a shadow of a suggestion that the Harris-Eves government was cloaked in veils of secrecy. I'm going to say here what Dalton McGuinty said prior to the election:

"Public input is essential to good government. We will ensure that you have every opportunity to offer comment on all major bills.

"Accountable agencies and appointments: We will lift the veil of secrecy on government agencies and appointments.

"Major government agencies, boards and commissions are large and important bodies."

It goes on to say that Ontario Power Generation, the LCBO and others will be empowered—"[A] legislative committee to question the heads of these government-owned agencies"; "we will publicly disclose the annual payments."

I think it's clear in your policy that this isn't a great divergence. What we're saying here is that this not to slow down the process. Quite honestly, the government

has the majority on all the committees and, as such, will pass whoever the minister tells them to pass. I understand that. But for the people to build confidence and certainty in the new appointment—the board and the directors are all appointed by the minister. This is inside baseball and it is technically carpetbagging to some extent that you'll be appointing all the cronies. I understand that; I don't endorse it.

That's what you said during the election and now you're just ramming this through. I'm glad that Howard Hampton is here, because he'll probably agree with me on this amendment, that I want the conservation officer—which is a very important function. I know there are those who want it to be separated from the OPA. All we're saying here is that the appointment of the first chief energy conservation officer shall be subject to the review of a committee of government.

The Chair: Mr Hampton, we're on number 35 in the list the clerk provided.

Mr Ted McMeekin (Ancaster-Dundas-Flamborough-Aldershot): We're doing something as a government that has been a long time coming in this province and that's a commitment to public hearings on major pieces of legislation, which we've done. We had some conversation the other day about appointments to the IMO, and I did a little checking overnight on that. Some members of the committee insist on too strict a paradox to require this government to do something which they historically and consistently failed to do themselves.

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So we're listening. What we heard people saying was get on with the job of stimulating and building and protecting a culture of conservation. That's what we intend to do. I would just point out that there are numerous provisions to the legislation with respect to public input, hearings—something new for those who served in previous administrations—transparency and accountability.

I'm proud to be a member of a government that not only talks the talk but is prepared to walk the walk. I don't think we need any lectures from anybody about public participation in government. We're trying to mirror that. We're trying to mirror what we want to see in the world. The fact that we're getting on with things and that the minister is directly accountable—something we keep hearing from some of those who want to speak in opposition to the creative entrepreneurial efforts of this government to balance moving forward with hearing from people. We're actually having hearings on this bill. Isn't that new, eh? Isn't that novel? What an interesting idea, to actually take the time to hear from 147 people with diverse views and to try as best we can to balance those views off. We don't need any lectures from members opposite quoting our illustrious Premier, who, by the way, is credited this morning on the CBC with single-handedly pulling the premiers together to score an \$18-billion windfall for our national health care program. The previous government used to—

Interjection.

Mr McMeekin: There's babbling going on here.

Previous governments' idea of co-operation was to go to all the provincial/federal gatherings and, while all the other provincial premiers, including Mr Klein and the guy who does the laundry in Quebec, were slugging away with the issues, they were out in the lobby lobbing hand grenades at the feds about how nothing works.

The Chair: Mr McMeekin, maybe we you can steer it back to the amendment a bit. I've given you a little latitude here, but my patience—

Mr McMeekin: I appreciate that. My fundamental point is we're committed to listening to people and working with people and partnering and we don't need any lectures from the other side about how our government, in its effort to get on with the job, may be falling a minicentimetre short of some ideal that the previous government never did practise.

Mrs Cansfield: Just two quick points. The member knows that order-in-council appointments that are made by government committees have to go through a standing committee and ultimately the House and there's a whole issue around delay. Obviously, there is a significant problem within the energy sector and we need to get on with the job.

The other that I think is important is we've already, through our appointments, depoliticized this situation by having people such as Mr Jake Epp and Mr Godsoe participate in a very meaningful way in helping us to start to formulate the strategies on energy.

The Chair: Any further comment? I will now put the question. All in favour of the amendment? Opposed? It's lost.

Mrs Cansfield: I move that subsection 25.11(4) of the Electricity Act, 1998, as set out in section 28 of schedule A of the bill, be amended by striking out "and" at the end of subclause 25.11(4)(a)(iii) and by adding the following clauses:

"(c) a detailed review of the government of Ontario's progress in meeting its goals relating to the development and implementation of electricity conservation and load management measures; and

"(d) information on any government policy or legislation identified by the conservation bureau that results in a barrier to the development or implementation of electricity conservation measures."

This provides for the chief of the conservation bureau to review the government's process and actually to report back in an independent fashion on an annual basis on barriers that still need to be identified within the government as well as the government's progress in this area.

The Chair: Discussion?

Mr O'Toole: Yes, I just want to be clear. I support the idea of someone looking at the conservation office. Are they going to report to the House is the question, or are they just going to report to the minister?

Mrs Cansfield: It will be a public report, through to the minister, but made public.

The Chair: Mr Hampton, do you have anything on this one?

Mr Howard Hampton (Kenora-Rainy River): No.

The Chair: I'll now put the question. All in favour of the amendment? Opposed? It's carried.

Mr Hampton, you're next, sir.

Mr Hampton: I'm having trouble keeping track of where we're at right now.

The Chair: We're at number 37 on the sheets provided by the clerk.

Mr Hampton: Schedule A, section 28 (subsection 25.11(6) of the Electricity Act, 1998: I move that section 25.11 of the Electricity Act, 1998, as made by section 28 of schedule A to the bill, be amended by adding the following subsection:

"Forecast and assessments

"(6) The conservation bureau shall develop forecasts and assessments of the potential contributions of energy conservation and load management to the adequacy and reliability of energy supply, and the chief energy conservation officer shall include those forecasts and assessments in the annual report under subsection (4)."

It seems to me that if the government is serious about energy conservation and load management, that needs to be a subject of the annual report and it needs to be an integral part of the question of reliability of energy supply. If you're not going to consider these things and they're not going to be subject to the annual report, then it seems they're very superficial indeed.

Mrs Cansfield: Recognize that under Bill 100, the conservation bureau already submits its annual report to the minister and that the conservation bureau is an integral part of the OPA in its integrated system plan. The OPA's objects and its characters in conducting planning and conservation must, under the legislation, provide that information relating to medium- and long-term electricity needs of Ontario currently. So there is no need; this is already covered by the OPA.

Mr Hampton: So put it in the annual report. Make it specific. Make it clear. Put it in the annual report.

Mrs Cansfield: As I may state again, it is already within the objects of the OPA. It's already defined in those objects; it's not necessary.

The Chair: Further discussion?

Mr O'Toole: Just briefly, I've always been quite satisfied with the role of the IMO that exists today, of Dave Goulding and the staff working there, and I assume their projections and forecasts today will be just replicated by the OPA. That's what I assume. They publish those. They're public documents. They're on their Web site, and all the rest of it. You can see their four-year, five-year, 10-year forecasts on supply and commenting on supply adequacy and reserve margins. All that stuff that exists today in the IMO, will that exist on the OPA Web site and other venues to access information?

Mrs Cansfield: The objects of the IESO—IEMO—now remain the same in terms of short-term forecasting. The OPA will be medium- to long-term, and there's absolutely no question that they will work together in a

very integrated fashion around developing a strategy for energy.

Mr O'Toole: So is it the IESO that does it or the OPA that does it? The IMO, is it still going to exist? The IMO still exists. Is there a new name or something?

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Mrs Cansfield: Right, it's being changed to the Integrated—

Mr O'Toole: Electricity system management?

Mrs Cansfield: Sorry. It's the IEMO.

Mr O'Toole: They're changing the name and the business cards.

Mrs Cansfield: It's the IESO.

Mr O'Toole: So the IESO is going to do it?

Mrs Cansfield: Which is the IMO. It's a change of name.

The Chair: Further discussion? I'll now put the question. All in favour of the amendment? Opposed? It's lost.

Mrs Cansfield?

Mrs Cansfield: Thank you, Chair. I move that section 25.12 of the Electricity Act, 1998, as set out in section 28 of schedule A to the bill, be struck out and the following substituted:

"Stakeholder input

"25.12 the OPA shall establish one or more processes by which consumers, distributors, generators, transmitters and other persons who have an interest in the electricity industry may provide advice and recommendations for consideration by the OPA."

This is similar to a consulting mechanism that will be used by the IESO.

The Chair: Further discussion?

Mr O'Toole: On this I'm quite concerned because we did have an amendment yesterday which really eliminated two advisory committees and combined them into one. I gather that's a redundant motion. Yesterday, Ms Wynne moved a motion that really said we're going to subordinate two advisory committees—one to the OPA and one to the IESO, I think—that are going to act as one.

Ms Kathleen O. Wynne (Don Valley West): Yes.

Mr O'Toole: Is that what this amendment does? "One or more processes by which consumers," or whatever. I just want to be clear. This seems a bit redundant to me, really.

Ms Wynne: I believe this is a separate process. This gives the OPA the authority and mandate to put other processes in place to talk to other people who might be interested in advising them.

Mrs Cansfield: It's a process whereby they can consult very broadly with the public. That's what this amendment is for.

The Chair: Further discussion? I will now put the question. All in favour of the amendment? Opposed? It's carried.

Mrs Cansfield?

Mrs Cansfield: Thank you, Chair. I move that subsection 25.13(1) of the Electricity Act, 1998, as set out in

section 28 of schedule A to the bill, be struck out and the following substituted:

“Staff and assistance

“25.13(1) Subject to the bylaws of the OPA, a panel established by the board of directors may use the services of,

“(a) the OPA’s employees, with the consent of the OPA; and

“(b) persons other than the OPA’s employees who have technical or professional expertise that is considered necessary.”

This amendment actually requires the panel to obtain the consent of the employer prior to any access to the staff for their technical advice.

The Chair: Further discussion?

Mr O’Toole: We’ve raised this. We’re going to start to repeat ourselves a little bit, I suppose, because the sections have some repetitiveness when you’re dealing with the OPA or the IESO. I think the intention here is to tighten the openness of accountability. By that I mean that to get to any person in the OPA, you really have to go through the OPA board. You can’t talk to any employee without consent of the OPA.

I just wonder where any future whistle-blowing legislation, which I support, would stand in this consent to talk or to someone else freely divulging information about risk of supply or uncertainty in price or other questionable, often very guarded, pieces of information to the public?

Mrs Cansfield: If and when any type of whistle-blowing legislation does become an opportunity for discussion, then we’ll have the opportunity to discuss that in reference to this particular legislation.

The Chair: Further discussion? All in favour of the amendment? Opposed? It’s carried.

Mr Hampton?

Mr Hampton: I move that subsection 25.13(3) of the Electricity Act, 1998, as made by section 28 of schedule A to the bill, be struck out.

The Chair: Discussion?

Mrs Cansfield: We believe that the same exemptions that are granted to other crown operations regarding confidential information relating to market participation should obviously be extended to the OPA as well.

Mr Hampton: This is just a general point. We’re talking about the province’s electricity future here. We know some of the problems that have happened on this front before. We believe there ought to be more openness.

Mrs Cansfield: We actually believe that the OPA should not be in a position that it would prejudice significantly the competitive position, or more, interfere significantly with any contractual negotiations of a person or organization. So we reiterate that this is extended to other crown corporations regarding confidentiality and it should be no different for the Ontario Power Authority.

Mr O’Toole: I think this is important. OPA is not a crown corporation, as Mrs Cansfield said in her remarks. So that’s wrong. It isn’t a crown corporation; it’s really a

kind of subordinated group to the minister, technically. He appoints the directors, everybody, without any public scrutiny at all. This really is a veil of secrecy around, in some cases, information that the conflict commissioner or somebody would have to determine whether it was appropriate to remain unavailable from freedom of information requests.

I understand market situations where proprietary information and market trading and those kinds of things need to be guarded. But in open competition, at the end of the day—I believe you would say that the contracts we made with the 407, for instance, were commercial contracts and as such they are proprietary and are not available for freedom of information.

What is that in terms of this? I’m told the OPA has really no credit. Technically the credit is on the back of the government. If you read the Dominion Bond Rating assessment of the OPA, it really says that all the debt belongs to the people of Ontario. We were told they would have no risk in capital. They would just be a transaction agent between a contractor and the provision of the contract. If there was any risk, that would be inherited by the government.

Some of that stuff needs to be clearly available to the public. I think this is just a blanket statement that you can’t get any information that they deem to reveal trade secrets or scientific, technical, labour relations, all this stuff. It’s not available.

Not only do you appoint everybody, but any scrutiny is not available to the public and you’re going to hide behind this commercial transaction secrecy stuff. Good luck to you. I hope some of the cronies you appoint to these things are more forthright. The people of Ontario need to know that. I have no problem with power at cost and no problem with these kinds of needs for the market and conservation, but Mr Hampton makes a very good point.

Mr Hampton: If I may, I remember certain Liberal MPPs going on at length about the former government’s automatic exemptions from the freedom of information legislation, saying this was entirely inappropriate and that much of this information did not deserve an automatic exemption.

Let’s be clear: What the Liberals are now setting up is not an organization that has the accountability and responsibility of a crown corporation. What you’re setting up here is something very much akin to the Margaret Thatcher era in Great Britain, where quasi-independent, unaccountable bodies made decisions that affected people’s lives and they later found out that there were very few, if any, accountability mechanisms. That’s what you’re setting up here. All this amendment does is say, “There shall not be an automatic exemption,” that where someone thinks there should be an exemption, they can make the case. But in dealing with what is the fundamental economic infrastructure of the province, a whole bunch of appointed people, who are otherwise not accountable to the public and not accountable to the

Legislature, will not be able to claim automatic exemption.

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I suggest you read some of the speeches made by your own members over the last five or six years who said exactly this: that there should not be an automatic exemption, that all of the comings and goings of this outfit should not automatically be exempted from freedom of information, that there should be an application process, that they should have to justify what information would not be made available to the public.

After all, no matter how you cut it, this will be the people's electricity; this will be their hydro bill. Trying to do it all behind closed doors, with appointed people who are otherwise not accountable, I think is going to create a very dangerous precedent.

Mrs Cansfield: I did not say it was a crown corporation. I said it should have similar exemptions as crown corporations.

Mr Hampton: Margaret Thatcher would be proud of you.

Mrs Cansfield: I think the other that's important to acknowledge—and I'm going to read this so that it's in the record:

"The OPA's creditworthiness is supported by: (1) the draft legislation (Bill 100), which provides the OPA with a strong ability to meet its obligations, including contract payments; (2) the OPA's minimal counterparty risk given that its only direct counterparty will be the Independent Electricity Market Operator (IMO), to be renamed the Independent Electric System Operator (IESO); and (3) the implicit support from the province given that the OPA is the province's creation and the fact that electricity is an essential commodity," which gives us an A, high, rating from the Dominion Bond Rating Service and others. I think that's an important object to recognize.

The fact is that if you want to negotiate, you cannot make your negotiations public. So we reiterate that we have similar conditions in other situations and we are going to sustain those within this organization as well.

The Chair: Further discussion? I will now put the question. All those in favour of the amendment? Opposed? It's lost.

Mr O'Toole: I move that section 28 of schedule A of the bill be amended by striking out section 25.17 of the Electricity Act, 1998.

The Ontario consumer is going to be subject to paying more fees for electricity as a result of new layers of bureaucracy that are being created here. We've already heard in conversation this morning that the IESO, the OPA, the IMO and all those organizations that exist today are somewhat being bumped up by another level of bureaucracy.

Clearly this section, despite what Ms Wynne said yesterday, authorizes "the Minister of Finance to purchase securities of or make loans to the OPA at such times and on such terms and conditions as the Minister of Finance may determine subject to the maximum principal

amount and to any other terms" that may be specified "by the Lieutenant Governor in Council."

I think they should operate today—we should know the budgets that are required within the Ministry of Finance under the Ministry of Energy for the regulation and the functions of the Ontario Energy Board, the IMO, for that matter all the resources for energy and energy conservation that exist today. I want to know what the increase is going to be here, because this clearly gives the Ministry of Finance the ability to go out and get more money, whether it's through bonds or just raising taxes.

You'll probably go with the one of raising taxes. I understand that. Hopefully you don't use health care dollars for taxes. We saw in your new health tax that it basically was buying all kinds of things: bridges and various things like that. I question this. The people of Ontario are at some risk here of not just more bureaucracy but higher costs.

Mrs Cansfield: In essence, this motion would eliminate the ability of the minister to make loans to get the OPA up and going. In fact, later on in the legislation you'll see there are amendments that enable the recouping of those costs to get the OPA up and going. I don't understand why you wouldn't want to get this organization up and going in order to get new supply, which is a critical need. I think I've heard both the NDP and the Progressive Conservatives say repeatedly that we are in a crisis in energy and that supply is one of those crises. It seems to me it's a delay tactic to get something up and going that we in fact require.

Mr McMeekin: It's frustrating. We hear a lot out on the street in the real trenches, not inside the baseball halls here in the Pink Palace, about running government like a business, about correcting some of the obvious miscued practices of the past.

I hear the member opposite trying to tie the hands of a government here that wants to move ahead, wants to be prudent, wants to put in place the mechanisms that are going to be needed to finally run this enterprise in an effective way that will benefit all the stakeholders, which are the people of Ontario, of course.

It's no secret what happens when governments fail to be prudent in this regard. We've seen some ample evidence of the failure to do this, at least with the previous administration—it might go further, but at different economic times; I think it is limited to the previous government. I mean, the shambles we found ourselves in by not having sound business practices in place speaks not volumes but libraries. I just want to put that on the record, in terms of moving this province forward.

Mr Hampton: While I may have some problems with Mr O'Toole's amendment, I think he does raise a relevant issue here. I just want to remind the Liberals that as you decry what the former government did, you all voted for it en masse, not just once but several times.

I think this is the nub of the issue: When the Conservatives said that the privatization and deregulation of hydroelectricity was the way to go, they basically said that decisions would be transferred to the private sector

and that private sector bureaucracies, whether it be, in those days, Enron or TransAlta or Brascan, would make the decisions. So costs would flow from what had been crown corporations and decisions would flow not from crown corporations any more, but they would all be made by the private sector.

Now the new Liberal government seems to be saying we're still going to have these private sector bureaucracies: TransAlta, Brascan and others. They all have very large bureaucracies. As we all know, the corporate heads of those bureaucracies will demand their \$2-million- and \$3-million-a-year salaries, just as Eleanor Clitheroe demanded that kind of salary when it was announced that Hydro One was going to be privatized. Yet, there's going to be a larger public bureaucracy than ever before. There's going to be the OPG, Hydro One, the renamed IMO, the enlarged and expanded OEB and a new bureaucracy, the OPA. All of this will have to be paid for on the hydro bill. So you have the worst of the private sector bureaucracies, all the folks down on Bay Street who want the \$2-million and \$3-million salaries and the 20% profits and the fees and commissions—they'll all be in line—but you're also going to have all these new folks who want the big salaries and the expense accounts and the big offices. This will all be paid for on the hydro bill.

That's what's fundamentally wrong here. While I may disagree, in part, with Mr O'Toole's way of dealing with the problem, it is a big problem. You're going to have the biggest private sector bureaucracies, with all of their excesses. Who knows, Eleanor Clitheroe may wind up getting her big pay through becoming the next president of TransAlta. If she couldn't get it through privatization of Hydro One, she may go to Brascan or TransAlta and get it that way.

So you'll have the worst of the private sector bureaucracies and all of their costs, and you're going to have an even bigger public sector bureaucracy. The poor small business person, the homeowner and the person who has to pay the hydro bill will have to pay for all that. That's the nub of the issue.

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Mrs Cansfield: I'd just like to reiterate that the task force that was put together by the previous government and came up with a number of recommendations, including the recommendation of the Ontario Power Authority, was in fact made up of a number of people from a variety of sectors, including small business, small retailers and not-for-profit agencies, in addition to suppliers, generators and others. So, in fact, they were the ones who came up with the suggestion and the recommendation that this government needed to put in place a power authority with the authority to secure long-term supply, because there hadn't been a strategy for energy in this province for a long, long time.

Mr O'Toole: We could go on about this a little bit. As Mr Hampton has also reinforced, I really think the nub of the issue is the fact that these are higher fees for more bureaucracy. A small bit of coordination between the roles of the Ministry of Energy and the IMO could possibly, and probably will, do much of this.

Even if we look back at other sections of the bill, the OPA has to submit a fee schedule and an operating budget to the minister to establish its fees and be approved by the minister. It's sort of like a shell game. If you look at subsection 25.17(2), it says, "The Minister of Finance may pay out of the consolidated revenue fund any amount required for the purposes of subsection (1)." In other words, you can either put it on the rate, as Mr Hampton said, or you can put it on the tax base, because that's where the consolidated revenue fund basically comes from: some form of tax revenue.

It's just a signal for the consumer to be prepared and be aware that the price for electricity is going up, not just because of the cost of electrons and fuel, but for the addition of a new level of bureaucracy—and perhaps an unnecessary level, as well.

Mr McMeekin: In either event, however it's eventually costed out, it's going to be shown, unlike some of the practices of previous governments that did off-book borrowing that nobody knew about and wasn't reported on and was denied all the way through. I think that's an important observation to make.

The other observation I would make in passing—I said this yesterday and I'll repeat it again—is that you're damned if you do and you're damned if you don't on this file.

Mr Hampton: That's what happens when you're on both sides of the fence.

Mr McMeekin: That's what happens when you try to depart from two rigidly held ideological positions, neither one of which makes sense, and come up with a balanced perspective that puts the need for longer-term, prudent fiscal economic and energy planning first and foremost. That's what this government is trying to do.

That's why, and I say this with respect, of the 147 people who came and made presentations to this committee—and I was scooting down and trying to assess, are they supportive of the bill? Do they want the government to be more interventionist? Some of the free-wheeling, free enterprisers here said, "Just get out of our way. Let us run the whole thing."

About 87% of the presenters, from my recollection—maybe 85% or 89%—including, by the way, virtually all of the alternate energy folks who came forward, basically liked the thrust of the bill, liked the fact that we were getting on with planning, that we were going to partner with people, that we were taking a balanced rather than an ideological approach, that the ministerial oversight was going to be included and that the conservation culture was going to be foremost.

They had some quibbles here and there. Where it's wise, we tried to reflect those in the changes. But let's understand that a broad cross-section who came forward from all across this province didn't share the narrow ideological perspective of some in this room.

The Chair: Further discussion? I will now put the question. All in favour of the amendment? Opposed? It's lost.

Mrs Cansfield: I move that part II.1 of the Electricity Act, 1998, as set out in section 28 of schedule A to the bill, be amended by adding the following section:

“Reimbursement of costs incurred by the crown

“25.17.1 (1) The OPA shall reimburse the crown or, if so directed by the Minister of Finance, an agency of the crown for costs relating to the OPA, a procurement contract, an initiative described in clause 25.30(4)(a) or a matter within the objects of the OPA, if,

“(a) the costs were incurred by the crown or an agency of the crown after January 20, 2004 and before the board’s first approval of the OPA’s procurement process under subsection 25.29(4); or

“(b) the liability of the crown or an agency of the crown for the costs arose during the period described in clause (a).

“Payment of reimbursement

“(2) The OPA shall make the reimbursement by making one or more payments in such amount or amounts at such time or times as may be determined by the Minister of Finance.

“Minister’s determinations final

“(3) The determinations of the minister under subsection (2) are final and conclusive and shall not be stayed, varied or set aside by any court.”

In essence, this allows the OPA to reimburse the crown or an agency of the crown for costs and liabilities dealing with the RFP process and, in addition, until such a procurement process is agreed to by the OEB, costs relating to those in the future.

The Chair: Discussion?

Mr O’Toole: I would just like Mrs Cansfield to give us an interpretation of what this actually means. Are these to do with the non-utility generating contracts or other commitments of disabling the coal plants and all those financial background transactions? There will be all kinds of hidden costs in writing off those assets. You’ve written off some of the coal plants now. In the current year, actually, you took a loss of I think it was \$400 million or something like that; I forget the number. You have done that and there will be more of those kinds of transactions.

I’m just wondering what this really means: “the liability of the crown or an agency of the crown for the costs arose during the period,” as in clause (a), which says, basically, January 20, 2004. I’m just not sure what this means. We may call Mr Jennings or some of the staff here, because this is fairly technical. I have no idea what it is.

Mrs Cansfield: I’ll give you an explanation. The amendment creates a new obligation on the part of the Ontario Power Authority to reimburse the crown or an agency of the crown for costs and liabilities incurred with respect to procurement processes or activities undertaken from January 20, 2004, which is the date of the RFP process this government has in place, to the time at which the OPA has established a procurement plan that has been agreed to by the OEB, which is part of the legislation that is in the future.

So what it has to deal with is the reimbursement of the costs for the RFP process that is currently underway and for costs incurred once a procurement process by the OPA has been approved by the Ontario Energy Board in the future. It deals specifically—

Mr O’Toole: Strictly with the RFP process?

Mrs Cansfield: For the first part and then, as you recall, in the legislation, the Ontario Power Authority has to put in place a procurement process and it must go the Ontario Energy Board. Once that procurement process has been put in place, then it’s the reimbursement of those costs as well.

Mr O’Toole: Thank you for that explanation. Now that we have that and we’re approving it, could you table with this committee the RFP costs for the first 300 and 2,500 megawatts and maybe even some technical background on the process? I have kind of followed it a bit. You’ve had, I believe, 4,000 megawatts subscribed to under the first RFP for 300 megawatts. The whole process of reviewing all those bids and determining, and a whole group of consultants figuring out who has the best price, the lowest cost and all of this kind of stuff—I would love to know what that cost. Wow. I don’t know what law firm did it, but, man, they made a fortune. Is there any chance you could table that stuff?

Mrs Cansfield: I’d be happy to take your request to the ministry.

The Chair: Good.

1050

Mr Hampton: Mr Chair, I think it’s more than just taking the request to the minister. I think the consumers of Ontario deserve some information about how much all this is going to add to the hydro bill. From the announcements that have been made, we know that the government has gone out and hired some very high-priced consultants. You’ve held not just one or two processes, but I think you’re now into three or four processes. All of this, it appears, is going on the hydro bill.

I think it should be a matter of openness to consumers. What are they paying for? What is going to end up on their hydro bill from what already appear to be a number of repetitive processes involving some very high-priced consultants?

Mrs Cansfield: I just reiterate that it’s with respect to liabilities and costs incurred with procurement activities identified in the RFP and once a procurement is put in place by the OEB. It’s a procurement process for recovery of costs.

Mr Hampton: We’re simply making the demand that since this is the people’s hydro and their hydro bill and they’re going to pay for it, the information of how much the procurement process has cost already be made available to the public.

Mrs Cansfield: I think I stated that I would take that request to the minister.

Mr McMeekin: I suspect there’s no problem with that. That seems like a reasonable request to me, so I look forward to that too. I just want to make the observation that, again, you’re damned if you do and you’re damned

if you don't. All across this province, we're hearing people say, "Get on with it. We don't want a government that's just lean and mean. We want a government that's keen and green." They finally got a government that's keen and green, that wants to look at alternative energy.

Interjection.

Mr McMeekin: Well, I'd rather be green, prudent, practical and moving forward progressively than grey, tired and dysfunctional, in terms of economic management, Mr Chair.

That having been said, I want to—

Mr Hampton: Don't talk about your federal cousins that way.

Mr McMeekin: Well, our federal cousins are looking pretty darned good this morning, I'll tell you, as we once again pull another hot iron out of the fire on health care in the interests of people across this country.

All of that being said, there's some short-term cost to turning the boat around. There's some short-term cost to beginning to change the culture of incompetence that's existed on this file for so long. There's some short-term cost listening to people and taking the steps you need to put that culture of conservation and that keen and green emphasis there. Not only do I want to see the short-term costs on that, but I want to have the minister become increasingly convinced of the long-term benefits. The fight on this side of the House for those of us who are maybe a little keener and greener than some is to make sure that continues so we continue to make progress there. I want to see more of those 4,000 megawatts that have—

Mr Hampton: If more nuclear energy is green, that's going to be a hell of a sales job.

Mr McMeekin: I didn't say that. In fact, if you knew anything at all about my background, you wouldn't say something so damned silly.

All that aside, we've got short-term cost for long-term gain. I said yesterday that the jury is out, including this personal jury, on the nuclear stuff. I think we need to be looking seriously at the mix. By the way, Mrs Cansfield, that's a big part of what this planning process is all about, isn't it: to revisit, or maybe to visit for the first time in 10 years, the actual mix here? So we'll keep moving forward, in spite of the naysayers on this.

Mr O'Toole: I just want to put on the Hansard record here—I think it's been a very open discussion. I appreciate the candour of Mrs Cansfield. I'm not certain, on day one, that I'll be permitted, under our new leader, who will be elected this weekend—it's my hope it will be John Tory. I would only say this: This would probably be my first question to the minister. It's not putting you on notice. It is, I think, an open discussion. I'll be getting a copy of that from Hansard—that's a formal request—so I can read precisely what Mr McMeekin said, or at least part of it. The minister will disclose to the public, because we've locked the door with the privacy information and with the minister appointing everybody.

We have no idea what the price is going to be. We can only assume it's going to be—Howard, what would you

think? I think that if the price is 5.3 now, then seven-cent power is about where we're going. What do you think? Not that that's good or bad. I don't want to alarm the people of Ontario, but that's almost double. Take your bill today—the people of Ontario are who I'm speaking to—and if it's 4.8 cents or 4.3—it used to be; that's what they voted for and they broke that promise. Now we've got it at five point something and we've got these new fees—we're not sure what they are. They can't tell us. We know now that some of it is going to be subsidized through the consolidated revenue fund, which is more taxes on licences—fishing licences, drivers' licences. It's certain that the economy is going to have an impact here, and I'm waiting for the minister's answer on this one. Boy, oh boy, just the cost of these RFPs and the dinners for two or the fundraisers—boy, oh boy.

Mr Hampton: I await the government sales job as it tries to convince Ontarians that more nuclear power is cleaner and greener, because that is certainly where you're headed.

The Chair: I will now put the question. All those in favour of the amendment? Opposed? It's carried.

Shall schedule A, section 28, as amended, carry? All in favour? Opposed? It's carried.

Ms Cansfield, please.

Mrs Cansfield: I move that subsection 25.18(4) of the Electricity Act, 1998, as set out in subsection 29(2) of schedule A to the bill, be struck out and the following substituted:

"Board deemed to approve recovery

"(4) The OPA's recovery of its costs and payments related to procurement contracts shall be deemed to be approved by the board."

The Chair: Discussion?

Mr O'Toole: Well, a lot of it may sound repetitive, because we dealt with the fees and schedules for the IESO. Now we're dealing, in section 25.18, with the fees and charges of the OPA. It says here, "The OPA may establish and impose fees and charges to recover...." It's not for electricity, it's for bureaucracy. And no criticism intended of the civil servants; they're under the direction of the now government, which is bigger government and more expensive government. More cost, less service. I see it in health care recently with the announcement of these new networks. It frightens me to say bigger isn't better.

I can't support this section. I'm disappointed, because there is some merit in this bill, but this isn't one of the sections.

Mr McMeekin: I just want to be clear: It frightens you to say bigger isn't better? I'm confused. He's got a double negative. Does that mean bigger is better?

Mr O'Toole: You have to dwell on it for a while.

Mrs Cansfield: Maybe I can be of some help. The Ontario Power Authority must develop a procurement process and go to the Ontario Energy Board for approval of that process. Once the process is developed, inherent in any process is a budget. This simply says that because they've already gone there—and as you know, it's a

highly regulated board—there's no reason to go back. That is simply what it says. It's deemed approval because they've already been there with their process and their budget. It's simply an amendment that says—the stakeholders themselves were suggesting it was just a duplication.

1100

Mr Hampton: I have a question. Since it would appear that this will likely amount to substantial amounts of money, will this information be made public by the Ontario Energy Board, and when will it be made public?

Mrs Cansfield: Maybe I could ask Mr Jennings around the obligations of the OEB in terms of public hearings, because my understanding is that their process is open; it is public. They are currently holding a significant number of hearings now.

The Chair: Mr Jennings, could you just identify yourself for Hansard, please?

Mr Rick Jennings: I'm Rick Jennings, director of energy supply and competition.

In terms of the process, the Ontario Power Authority would be developing an integrated system plan. That plan would be reviewed by the OEB. They would have to approve it. We'd certainly expect that those would be subject to interveners, public hearings and submissions by other parties. Subsequent to that the Ontario Power Authority, once they have an approved plan, will develop and, say they identify resource requirements, identify a procurement process and that, similarly, would have to get approved by the Ontario Energy Board.

So they now have essentially an approved amount of resource requirements and they have an approved process. They would go out and, say it was similar to the RFP process we have now, they would get individual submissions, individual contracts negotiated. Those contracts would not then be subject to further review by the OEB because they were developed and negotiated inside this already approved resource plan and procurement process. Partly that is in place because companies that would want to negotiate these would want to have assurance that having followed the plan and the process, they would be able to complete the agreements.

Mr Hampton: I think this section addresses something else. We dealt with some of the financial aspects of this earlier, I think, in some of the amendments. I said at that time, "I don't think you want to know the details of individual contracts." But by God, since people are going to be paying for this, they ought to know at least on an annual basis what the overall cost of this is going to be. Here it seems that the OPA will have to come forward to the Ontario Energy Board with its proposed expenditures and revenue requirements for the year. I would assume this is its expenditure for running its own operations, whether it be to obtain a consultant over here or add more staff over there or whatever. The nub of the issue is that they will have to set out a budget every year for their own operations. I'm asking a simple question: Will this be made available to the public? Will the public know how much the OPA's cost of operation is each year for its own purposes?

Mr Jennings: Yes, that certainly will be public. But this deals with the contracts. The contract costs will be part of the monthly settlements. So, similarly, that will be available. In terms of what the actual change in the wording is, the original one was, "The Board shall approve the OPA's recovery of costs relating to procurement contracts." Basically it says a similar thing other than that they're deemed to be approved by the board. In other words, it isn't really a change from the bill as it was originally structured.

Mr Hampton: And you're telling us this will all be public information?

Mr Jennings: The Ontario Power Authority—

Mr Hampton: The details of individual contracts are not the issue.

Mr Jennings: No, but the overall payments that are made under these will be—essentially, the IESO would have them on a monthly basis.

Mr Hampton: Including the operational costs? Because this seems to speak to the operational costs of the OPA.

Mr Jennings: Yes. The OPA's operational costs have to be approved by the OEB, and that would be in a public process. Whether they have hearings or just submissions, it will depend on whether they see that that's all necessary. But certainly, just like the IMO now, they have an annual report, they have a budget that is approved and they have approved basically what they recover from customers. All that information is public.

Mr O'Toole: I appreciate the staff's technical response to these areas that are very critical. I have some confusion here. The OEB's is a rate review function, is it not? As I understand it, the rates will be reviewed annually by the Ontario Energy Board, and otherwise, in emergencies, I guess.

Mr Jennings: Yes. The power authority—I believe it's set out in a provision of the act—has to get prior approval for their budget, their revenue requirement.

Mr O'Toole: That's not what I'm talking about. I'm saying that if electricity is going to cost so much and there's a rate filing or application for a rate from the OPA or whoever, the government is going to direct that, technically. Really, there's no question. They're going to say, "Power should be 5.3," or whatever it's going to be and make it fit. I believe it's public policy. It has been. You might say it's power at cost. I don't think we'll ever know that.

Here is my question: If the OPA is going out and doing contracting, and they're doing RFPs and then they're reviewing, is the Ontario Energy Board involved in any of the reviews for these forward contracts to build, install and operate?

Mr Jennings: The OEB has to approve the plan that sets out the resource requirements.

Mr O'Toole: That's not price; that's just resource.

Mr Jennings: Yes, and then they will have to approve the procurement process. In other words, they would say, "We're going to do a competitive RFP or we're going to do some other process." The OEB would have to approve

that. Once they have actually gone out and had the process, then it's negotiation between the parties.

Mr O'Toole: The OPA and the suppliers, the bidders?

Mr Jennings: Yes. So the resource has been approved, the process has been approved and then there will be negotiations.

Mr O'Toole: So we're going to come out of it with a market price—I don't disapprove of that—which the OEB is not really going to have a role in. They're going to say, "This is the fee schedule which is approved," and that should be transparent.

Mr Jennings: Yes.

Mr O'Toole: It's going to have an RFP process, which should be independent and transparent. They're going to say, "Yes, this looks like all the checks and balances are in place."

Thirdly, when the OPA eventually contracts short- and long-term supply and peaking supply, there will be a variety of prices that will be mixed. Whether it's renewable at seven cents or heritage resources at four cents, they're going to come up with the price. Who actually sets that price? Does the OEB have any role? After you synthesize all the RFPs, all the base supply, all the nuclear refurbishment and have all that down, who is actually going to see about the price?

Mr Jennings: The costs under the contracts would get passed through to customers on a monthly basis. In terms of when the Ontario Energy Board is setting the rate plan price, they will have to factor in their forecast of those costs. In terms of developing the rate plan for the small customers, that's going to reflect their assessment of the wholesale price and the various mix of contract and regulated prices.

Mr O'Toole: That's good. I appreciate your being here. Ultimately, what we are really trying to drive here is, if price—after some outrage, we backed away from our original plan for rejigging the electricity supply marketplace. We backed off because of public outcry.

Power at cost might be the right thing to do in the longer or medium term, but if government backs off on this—if they have a supply problem and they don't have the stuff coming on line, people still need electricity. Regardless of what the OEB or anybody else says, they've ignored the OEB rulings for years under Ontario Hydro. They just had the hearings and ignored it; the government said, "Here's the rate." In fact, the NDP cancelled the debt retirement. The SDR was cancelled. That is the repayment of the accumulated debt.

We ran into the same problem ourselves as government. The public would not tolerate the price. Even if all the mechanics fit together in the nice little puzzle that they do, public policy—which is government's role—dictated the outcome. Some would say we blinked. Some would say we failed on price. But that's the point I'm trying to make here. This is the issue entirely, because they're going to go out and they're going to purchase a lot of new renewable power. Good. It's going to be expensive power because of pure economics, to start with. In the longer term, wind might come down in price,

gas prices may not go through the roof. There is so much uncertainty for forward contracting. We complain about the 407 contract and the hidden backroom clauses. I'd love to see some of these contracts. I'd like to see some of these contracts on price. If they build in escalators on world market price, if they build in all these prices—we have no idea what the price is.

1110

Mr Jennings: you work for a living. I just read this stuff in the Globe and Mail. I never read the Star. Am I way off base here? I'm not trying to create uncertainty or outrage for the public. The public is a price-taker. They have no choice.

Mr Jennings: I'll comment that the RFP process the government has instituted—and we would assume that the power authority would look at that in the future. The request for proposals has been public, draft contracts have been made public, and then there's a process for qualification. So the process itself—

Mr O'Toole: Is good, yes. No problem.

Mr Jennings: —is quite transparent. Through the government's Web site, people are able to ask questions. All the questions of clarification and issues go through that Web site.

So I can speak to the process we have in place, which is that the form of the contracts—not what's ultimately negotiated—is made public.

Mr O'Toole: Right. And, really, at the end of the day, the OEB is going to approve some blended price, technically, of heritage assets and new purchase agreements, and that will be adjusted periodically to reflect the other part of the market, the costs of fuels and inputs?

Mr Jennings: Yes.

Mr O'Toole: OK. Well, that's good. I understand it. I just need to know that there's some way—and I'm saying it to Mrs Cansfield, primarily—that the residential consumer can absorb the impact of rapidly escalating price. That's the deal here. At the end of the day, if you've got 5,000 people on the front lawn here, I don't care how many people at the energy board have PhDs, it won't mean a thing. For years, the government has chickened out, backed away and said, "Look, it's going to be—" and they told Hydro. What do you think Hydro had debt for? Because they never paid what it really cost.

I am predicting today that when they have the short supply, they can't bring on the replacement 7,500 megawatts by 2007. Good luck. They'll have to fix prices.

Mr Hampton: It's already 2009, John.

Mr O'Toole: Well, whatever. They can't possibly—anyway, we're off into never-never land.

Mr McMeekin: I appreciate the update on your reading habits, John. I always thought you were well read.

Interjection.

The Chair: Mr McMeekin, you have the floor.

Mr McMeekin: Yes, thanks very much.

Every once in a while there's a real spark in what Mr O'Toole says, a real gem, something that sparks and catches my attention.

Mr O'Toole: It gets you upset.

Mr McMeekin: No, no. In fact, I mean this sincerely, John, as an affirmation. A moment ago you were waxing quite eloquently, I thought, about some of the decisions that had been made and their potential impact. I can say, for those who may be interested, that we supported the previous government's energy bill. I think at second reading we raised 14 key questions which we felt at the time weren't adequately answered. At third reading we didn't support it, just for the record. We did support the concept of the cap. I know our honourable colleagues from the New Democratic Party, wanting to protect all working people across Ontario, didn't do that. And in hindsight they may have been right; I don't know. But it's hindsight I want to—

Mr Hampton: It was phony, as you demonstrated so quickly.

Mr McMeekin: As the reference to being revenue-neutral, I think, proved as well.

But I thought I was hearing the honourable member opposite say that, in hindsight, maybe it should have been done differently. By the way, we admit we made a mistake on the 4.3 cents. We're very up front. In hindsight, that was the wrong way to go, and you, I think, have just given some *prima facie* acknowledgement of the same. I'm wondering if, in hindsight, you now agree that your government's legislation on the 4.3-cent-plus cap, in terms of not promoting conservation and not generating any additional supply, was in fact a mistake. Is that what you were saying to us? Because if it was, I've got a lot more respect for you than I—

The Chair: We'll give Mr O'Toole a chance to respond to that. Mr Hampton next and then Mr O'Toole.

Mr McMeekin: I ask that respectfully, Mr Chairman.

The Chair: Absolutely.

Mr O'Toole: I would say I can't speak on behalf of the government. These are very complicated issues. We have a change in leadership, and I'm not trying to bring all the politics into it, but almost every member—and I can quote for you. Mr McGuinty said, on CFRB on November 13, "So we've got to maintain rate relief for our ratepayers" and taxpayers. In the sense of all parties, including the NDP, we're talking about children at home on ventilators or people needing other medical services requiring electricity. It became a life-and-death issue.

Agriculture in my area is a huge issue. Farm operations whose bill would be like \$2,000 a month went to \$4,000 a month and they had no way of recovering the cost. Whether it's small business, medium-sized, little marketplaces with coolers and stuff, it was probably worse than some of the other protestations we had, because it affected every level of people, especially those least able to pay or respond. It wasn't like cable TV. You couldn't just say, "Take it out of my house."

There's a threshold there in public policy. We as elected people need to make sure that the most vulnerable are protected, and in some cases that includes—and you saw it as well—the ability to pay on this type of product.

So, yes, it's a raging argument to this day whether or not we did, but we had a supply problem. We had

Pickering in the midst of no recovery. We had lots of inefficiencies in the system. We had a blackout. We had the worst possible weather conditions. It's like the sky was falling.

Mr McMeekin: You know I agree with you on the vulnerable side. That's why I supported you yesterday when we talked about that. That having been said, I'm thinking you're now going back the other way. Had we made provisions for vulnerable folk, low income, those on ventilators etc, we could have done that, I think, in hindsight rather than benefit everybody. Was it the right thing to do or the wrong thing?

Mr O'Toole: I think it's all based on thresholds of consumption, basically. I'll be quite honest here. I generally agree with this bill in the broadest sense of power at cost, promoting conservation, giving consumers tools where they can respond, real smart meters where they are price manipulators, moving usage off peak and stuff like that. I think that's important.

Mr McMeekin: It's not perfect. It needs some improvements.

Mr O'Toole: Here's the key, though: I think there are thresholds where some people just won't have the time, ability or resources to do it. If they have to spend \$800 to save 20 bucks a month, they won't do it. Some people can't pay the bill as it is. So how do you deal with that? Here's what I'm saying: maybe 800 kilowatts an hour is the wrong threshold; maybe it should be 1,000, and if you use less than 1,000, you get a rebate. That's one group of consumers.

Then you get the small business band and the large business band—

Mr McMeekin: Yes. I like that. It's another approach.

Mr O'Toole: —and there are different rate issues and policies with respect to each of those consumer groups. But I think the residential side is the only real price-taker. They have no leverage. They can't cogenerate. There are no tools in this bill to give them the ability to put on solar panels and get credits for it, to have all kinds of tax relief or even capital tax relief.

The Chair: Mr O'Toole, we're starting to wander here. Let's get back to the amendment.

Mr O'Toole: I'm just saying it's very complicated. There are three thresholds: there are the small consumers, the medium and the big; three different processes.

Mr McMeekin: We're heading in the right direction. Generally you like the thrust and you're moving away from the phony level.

Mr Hampton: I just want to go back to something Mr O'Toole said earlier, that debt payments were suspended. I'd encourage him to read the 1995 annual report of Ontario Hydro. It was signed by someone named Bill Farlinger, whom I think Mr O'Toole knows well. Mr Farlinger said in the report that Ontario Hydro at the time had reduced its cost structure substantially, that it had achieved a significant profit in its 1995 operations, that it had paid down \$2 billion in long-term debt and, going forward, it would be able to pay down significantly more long-term debt in terms of its reduced cost structure and

its revenue stream. So I'd encourage him to read that, because I know Mr Farlinger would want him to know that.

1120

The Chair: Any further discussion? I will now put the question. All in favour of the amendment? Opposed? It's carried.

Shall schedule A, section 29, as amended, carry? Opposed?

Mr O'Toole: I have a notice.

The Chair: Right, and you're going to speak to it now.

Mr O'Toole: That's right. The opposition recommends voting against section 29 of schedule A to the bill. We've really spent a lot of time on this, so I won't prolong it.

The reason for notice rather than motion: This notice, which recommends voting against the section, is provided instead of a motion to strike it out. The reason is that parliamentary procedure requires that the committee vote against the section rather than pass a motion to strike it from the bill.

So the motion is the method of getting rid of section 29, which is the ability of the OPA to establish, impose and collect fees. Basically that's what it does.

It's really intended to protect consumers as there is already operating money within the Ministry of Energy and its subordinated agencies. Whether it's the IMO function, the energy board function, if you're going to make all of those organizations much bigger, much more sophisticated and much more engaged in consulting—high-priced, high-cost consulting—I urge members to really reflect here and say, "We can do more with less. We can do without this ability of the OPA to raise more money," which is either taxes or rates, either one of the two.

Mrs Cansfield: This part of the legislation actually deals with the OPA's ability to deal with their procurement process. In essence, what you're saying is that you don't want that to happen, and we can't support that.

The Chair: Further discussion? I'll now put the question. All in favour of schedule A, section 29, as amended?

Mr O'Toole: Pardon me. You haven't called the question on my motion yet.

The Chair: Right.

Interjection.

Mr O'Toole: It's a notice. So you don't vote on a notice? Pardon my ignorance here of parliamentary procedure. That's why we have the high-priced legal clerk.

The Chair: The clerk has just given us direction, Mr O'Toole.

We'll now move on. Shall schedule A, section 29, as amended, carry? All in favour? Opposed? It's carried.

Mr O'Toole: I move that section 25.19 of the Electricity Act, 1998, as set out in section 30 of schedule A to the bill, be struck out and the following substituted:

"Review of requirements

"25.19 (1) At least 60 days before the beginning of each fiscal year, the OPA shall submit its proposed expenditure and revenue requirements for the year to the board for review.

"Board's powers

"(2) The board may approve the proposed requirements or may refer them back to the OPA for further consideration with the board's recommendations.

"Same

"(3) In reviewing the OPA's proposed requirements, the board shall not take into consideration the remuneration and benefits of the chair and other members of the board of directors of the OPA.

"Hearing

"(4) The board may hold a hearing before exercising its powers under this section, but it is not required to do so."

Speaking to the amendment, The approval of fees, as I've said, should be removed in accordance with the above omission of section 29 with respect to collecting fees. So all this amendment does is negate the ability of the OPA to collect fees for taxes.

Mrs Cansfield: This proposed amendment actually suggests to me less scrutiny for the Ontario Power Authority as opposed to more scrutiny, which I find interesting, considering that there has been such a strong position taken on transparency. I guess I need some explanation as to why you would prefer less scrutiny for the OPA when we're looking for more scrutiny.

The Chair: Mr O'Toole, I know you can provide some background here.

Mr O'Toole: Just a little bit. We feel the OPA is a new organization and, as such, an unnecessary organization. If you look at 25.19(1), it says, "60 days ... beginning of each fiscal year ... shall submit its proposed expenditure and revenue." In other words, it's going to have a budget. All the minutiae that we've talked about, RFP costs and all this kind of stuff, it's going to submit it to the minister and the minister is going to approve it, basically. What we're saying here is that they can submit that, and we believe there's enough revenue in the general revenue fund today to cover that, because you're reshuffling other functions. In fact, you're probably duplicating some of them.

I wonder. I've said it 15 times now. I thought clarifying the function and role and giving even more power to the existing IMO is really what you're doing. In the forecasting, you're going to use IMO staff. They've done a terrific job, in my view, quite objectively, at arm's length. The procurement part was the problem. I agree, there wasn't really an established authority outside of the minister or OPG doing some other thing. When you're bringing in new renewables, and you didn't want OPG to just take over and build bigger and more and all the rest of it, that part could have easily been added to the IMO. They have a budget, and they may have needed some more budget.

I think you have enough money in the budget now. All you're doing is using this as an opportunity to make the

bureaucracy bigger and make the consumer pay more. You're going to call it the cost of doing business, and I'm going to call it a tax increase or a rate increase.

Mrs Cansfield: So the suggestion is that it would come through the tax base, as opposed to the rate base. So you're for more taxes, are you?

Mr O'Toole: If you read your bill, you will see that it can be recovered through the CRF or it can be recovered through rates. That's clear, if you look at section 25.17. I am for much more scrutiny and accountability. What I'm for is not raising taxes and having balanced budgets. That's what I'm for. If you read even Erik Peters's report, I would say that government has two choices: to increase taxes or reduce services. You have to be very cautious in what services you reduce and what services you're in.

So that's what I stand for. I say that we're at the threshold of tolerance for small businesses and families that are struggling to make ends meet. You're imposing more costs on them: not just the health tax, but electricity is going up, insurance is going up, everything is going up. Everybody wants more; I understand that. But there has to be some—the role of government is really to make difficult decisions, not easy decisions. The easy decisions are to blame someone else or to create more debt.

Mrs Cansfield: Mr Chair, I think we should go back to the amendments.

Mr O'Toole: Well, I am. I'm trying to explain to you. You have enough money in your budget today to do what's being done. I think it's completely unnecessary to impose more fees or taxes by another name.

The Chair: The point has been made, Mr O'Toole. Any further discussion? All in favour? Opposed? It's lost.

Mrs Cansfield, please.

Mrs Cansfield: I move that subsection 25.19(1) of the Electricity Act, 1998, as set out in section 30 of schedule A to the bill, be struck out and the following substituted:

"Review of requirements and fees

"25.19(1) The OPA shall, at least 60 days before the beginning of each fiscal year, submit its proposed expenditure and revenue requirements for the fiscal year and the fees it proposes to charge during the fiscal year to the board for review, but shall not do so until after the minister approves or is deemed to approve the OPA's proposed business plan for the fiscal year under section 25.20."

In essence, this amendment requires that the Ontario Power Authority obtain the minister's approval of their business plan before making application to the Ontario Energy Board for proposed fees and revenue requirements. It also allows for open public hearings before the board on the OPA's proposed budget.

The Chair: Further discussion?

Mr Hampton: I guess the question that arises is, if the OPA has to have the minister's approval, doesn't this bring politics right back into the issue of hydroelectricity operations? It would seem to me, much of the government's rhetoric has been that this would all be deter-

mined publicly, that it would be determined according to the observations of the Ontario Energy Board. But now, as I look at this, it seems that before the Ontario Power Authority can even go forward to the Ontario Energy Board, the minister can say to them, "No, you can't take this forward. Your expenditures are too high," or "Your revenue requirements are too high." So how does this balance with the statement that this will all be determined now, not politically but according to public hearings and financial information?

1130

Mrs Cansfield: Government sets broad policy for initiatives within their mandate, and this is to ensure that those broad policy perspectives are followed. The idea is that the proposed plan is submitted to the minister to ensure that it follows the direction the government has set in developing a strategic plan for energy within this province, something that hasn't been there for some time. It is no different than any government setting broad policy initiatives.

Mr Hampton: This doesn't say anything about broad plans. It says "its proposed expenditure and revenue requirements for the fiscal year and the fees it proposes to charge during the fiscal year...." It doesn't say anything about broad plans; it says everything about fees.

Mrs Cansfield: But it's in the context of the initiative developing the strategy for energy within this province. The policy is set by government.

Mr Hampton: And this doesn't say anything about policy. It doesn't say anything about guidelines. It's very clear: It's about fees.

Mrs Cansfield: No, it actually says that the OPA must go forward with it, so that it fits within that policy.

Mr McMeekin: Briefly, this is about management by walking around. It's about management by staying in touch. It's about public accountability and the link between an unfettered process and something that has a guarantee that there will be a protector of the public interest there. There are clearly ideological positions that can be staked out. I know the member opposite would not want a completely unbridled market system, a completely unbridled, out-of-control planning process. He'd want something that made sense. Virtually everybody who came and made presentations to us on this said, "Walk that balanced line," and that's what we're doing here.

Again, you're damned if you do and you're damned if you don't. Two motions ago there was not enough oversight—you know, "You need to be more involved"—and now it's, "You're too involved." The knee-jerk seems to be to oppose everything, even when it makes sense. Frankly, that is what makes people so darn cynical about political folk.

Mr Hampton: I repeat my question. Nowhere in this section does it say anything about policy, nowhere does it say anything about policy guidelines. This is all about the minister getting involved in setting fees for the Ontario Power Authority. I think the plain reading of this tells one that despite the government's claims that it's going to take the politics out of setting hydro rates, that's

exactly what's going to continue to happen here. The Ontario Power Authority would not be able to go even to the Ontario Energy Board and make its case without first getting the clearance of the minister's office—that is, political clearance—and the minister could say, "I see your proposed fee structure, I see your proposed rate structure, I see what you're proposing here in terms of expenditure and revenue requirements, and I'm going to disallow it."

It seems to me that is a complete contradiction of what the government is saying, that politics will no longer play a role in the determination of fees, of revenues or expenditures on hydroelectricity.

Mrs Cansfield: I reiterate again, I think the broad policy statements that are made by the minister must fall under the proposed plan for the OPA and that's what this requirement is, that the proposed business plan goes to the minister to ensure that it stays within the mandate that's set up by the government—nothing more and nothing less. You may read into it as you please, but that's exactly what the amendment says.

Mr Hampton: It doesn't say anything about broad policy. It doesn't say anything about policy guidelines. It talks about fees.

Mrs Cansfield: It doesn't have to. My understanding is that the role of government is in fact to develop policy. Maybe it's different for you.

The Chair: Any further discussion? I will now put the question. All in favour of the amendment? Opposed? It's carried.

Mrs Cansfield: I move that section 25.19 of the Electricity Act, 1998, as set out in section 30 of schedule A to the bill, be amended by adding the following subsection:

"Transitional, 2005 fiscal year

"(6) Despite subsection (1), the OPA shall submit its proposed expenditure and revenue requirements for its 2005 fiscal year and the fees it proposes to charge during that fiscal year to the board for review not later than 30 days after the minister approves or is deemed to approve the OPA's proposed business plan for the 2005 fiscal year under section 25.20, but shall not do so until after the minister approves or is deemed to approve the proposed business plan."

The Chair: Discussion?

Mr McMeekin: An actual business plan—it will be interesting to see the arguments that someone will garner to oppose this sensible addition to the government's approach.

Business plan—minister reviews it. Fiscal plan—minister reviews it. Boy, it sure sounds like a transparent and accountable way of doing business to me. But I'm sure there will be some argument against it.

Mr Hampton: It sounds to me like the minister is going to be involved more than ever in setting fees and proposed charges. This sounds to me like more evidence of exactly what the government says is not going to happen in the future.

Mrs Cansfield: In essence, this amendment provides some flexibility on the 60-day timing requirement for the

Ontario Power Authority's application to the Ontario Energy Board for the transitional year 2005. The reason for this is that we recognize that new board members and possibly some senior staff will need some time to develop their initial business plan and budget for subsequent years.

The Chair: Further discussion? I will now put the question. All in favour of the amendment? Opposed? It's carried.

Mrs Cansfield:

Mrs Cansfield: I move that section 25.20 of the Electricity Act, 1998, as set out in section 30 of schedule A to the bill, be struck out and the following substituted:

"Business plan

"25.20(1) At least 90 days before the beginning of its 2006 and each subsequent fiscal year, the OPA shall submit its proposed business plan for the fiscal year to the minister for approval.

"Minister's approval

"(2) The minister may approve the proposed business plan or refer it back to the OPA for further consideration.

"Deemed approval

"(3) If the minister does not approve the proposed business plan and does not refer it back to the OPA for further consideration at least 70 days before the beginning of the fiscal year to which it relates, the minister shall be deemed to have approved the OPA's proposed business plan for the fiscal year.

"Transitional, 2005 fiscal year

"(4) The following rules apply in respect of the OPA's proposed business plan for its 2005 fiscal year:

"1. The OPA shall, within the time period specified by the minister, submit its proposed business plan for its 2005 fiscal year to the minister for approval.

"2. If the minister does not approve the proposed business plan and does not refer it back to the OPA within 20 days of receipt, the minister shall be deemed to have approved the proposed business plan."

The Chair: Discussion?

Mr O'Toole: I apologize. I have read this, and I am a little concerned about it because this deemed approval stuff is just one more way of exempting elected accountability: "Well, we were unavailable," or whatever. It's just another case of these fees being passed on to people. It's difficult to endorse this at all.

1140

Mr McMeekin: This is an opposition dream, to be able to take something good and label it as evil no matter what the minister does. The minister is hung out to dry here if he acts and gives direction to the OPA—"You said you weren't going to be political"—notwithstanding that he may be protecting the legitimate interests of consumers and trying to advocate for more green energy or whatever it is. Of course, if he doesn't act, he doesn't care. He's just sloughing it off. Regardless of what approach is taken here—talk about being straight up. There's nothing cleaner, straighter, more accountable or upfront than this.

I'm sure that regardless of what happens, given the seemingly fixed ideological perspectives on the other two sides of the House, the minister will be criticized. And do you know what? That's OK. We understand that real leadership means taking bold decisions, not predicated on how they're going to be reflected in the polls but how they're going to advance the cumulative long-term good of both this sector and a strengthened economy throughout Ontario. So I really applaud the minister for this.

I'm an interventionist, I confess. I'm not one of those free market, free-wheeling, just let the private sector—I think the government needs to maintain some control, and I think the minister does this nicely. The wink is there but the nod isn't, and I think that's really important. I think that's responsible government at its best.

The Chair: Further discussion? I'll put the question. All those in favour of the amendment? Opposed? It's carried.

Mr Hampton, please.

Mr Hampton: I move that section 25.23 of the Electricity Act, 1998, as made by section 30 of schedule A to the bill, be amended by adding the following subsection:

“Contract details

“(1.1) The annual report must include sufficient details of the OPA's contracts to inform the public of the effect the contracts will have on the price of electricity.”

The Chair: Discussion?

Mrs Cansfield: Currently, it's the Ontario Energy Board's responsibility to provide the information to consumers about price. So I see no reason to support this amendment.

Mr Hampton: We've just heard how the OPA's procurement processes and contracts signed are going to have a significant impact on price. So in the interests of public disclosure and public information—we're not asking that the particular contracts be disclosed, but surely the public of Ontario, the people of Ontario, the small businesses of Ontario, the school boards of Ontario, the hospital boards of Ontario, the manufacturers of Ontario, who are going to be paying the hydro bill, should have information in the annual report telling them what will be the impact on the price of hydro of processes undertaken by the OPA or contracts signed by the OPA.

It seems to me that if the government wants to talk about openness and people knowing the real price of electricity, this is elementary. This simply tells the people on an ongoing basis, “This is the effect of the contracts signed this year by the Ontario Power Authority. This is the effect on the hydro price of processes undertaken by the Ontario Power Authority.” I can't understand why the government wouldn't want this information to be available to the hydro consumers of the province. It seems to me it simply promotes full transparency. You know what processes, you know what contracts the OPA has signed and then you are told what will be the effect on the hydro bill. That seems to me to be very clear transparency. It seems to me that's what the minister in

his rhetoric has been talking about, and yet the government doesn't want this information made available to the public.

Mr McMeekin: I support what Mr Hampton said. I'll support the amendment, although I suspect there is a clearly articulated reason not to. But notwithstanding, I think your argument makes sense.

Mrs Cansfield: Actually, if you recall, just in the previous legislation, the Ontario Power Authority must go to the OEB with its contracts and procurement process, which is approved by the OEB. It is the responsibility of the Ontario Energy Board, in setting its annual rate plan, to provide consumers with the information, and they do that in a variety of ways. You heard earlier that there actually are hearings underway now. So this is not necessary. It is happening now.

Mr O'Toole: I'm going to be supporting Mr Hampton on this. To simplify all of this discussion, what the consumer wants to know in the annual report is the cost of electricity per kilowatt hour. It would seem to me to be reduced down to its simplest piece of information for the consumer. They want to know the price per kilowatt hour.

If that's published, I think the openness and transparency that you use in most—Dalton used it in most of his speeches. This will be one time you could deliver it. Mr McMeekin is on the right track here and I'm confident that Mr Ramal, and you as parliamentary assistant, will be sending a signal, “We want that.” It's one amendment. You could say you adopted at least one amendment of the opposition. We've worked and listened and we're just trying to be helpful here. If you support this, I think you're moving a long way toward finding some accommodation in this bill.

Mr Hampton: I can't understand the reticence. This simply would put the information in the annual report. It would be like the annual report of the auditor. Everyone looks at the annual report of the Provincial Auditor because it tells them this is how this is functioning. This would simply take the operations of the Ontario Power Authority—it would not disclose information from individual contracts—and it would ensure how this affects the price of electricity that every consumer is going to be paying on their hydro bill. That's in the annual report.

It just seems to me that it is the ABC of accountability: These are the activities engaged in, this will be the impact on the price of electricity and here it is in the annual report, where everyone can see it. You don't have to understand the IMO or what used to be the IMO's Web site. You don't have to understand the difference between average cost, marginal cost and blended cost. It's simply there. These are the activities undertaken, this is the impact on the price of electricity and it's in the annual report so that everyone can see it.

Ms Wynne: I just want to make a comment. The reason I'm not supporting this amendment is that it's my understanding that it's the OEB's job to do this, that this information will be available. So I'm not arguing for the information not being available. I'm saying, let's make it

clear whose job it is and let's not duplicate. Let's not confuse people by providing information in one place and information in another place. Let's make it clear whose job it is and then let's make it happen. So I'm not supporting this amendment because I believe we've already got it covered by the OEB delivering that information.

Mr O'Toole: It's sort of like the one-place-to-look theory. I believe we're both saying the same things, and going a long way toward finding accommodation here is this—we heard earlier from Mr Jennings that on the contracts and costs and all of those things, the OEB does not approve the rate, actually. What it does is approve the fees and then it approves an RFP process. The RFP process will result in secret negotiations, similar to what happened in Ottawa—no, I'm not trying to be smart here. These will be commercial negotiations, and the commercial negotiations will result in a price that the OEB will deem to have approved, because they approved the process and the fees, and it turns out that these bidders came up with a number that was 5.8 cents a kilowatt hour under these conditions, or six or seven cents a kilowatt hour.

All we're asking for here is the one place to look. Let's say I'm reading the annual report for the OPA. I would see, as I would in a shareholder document—in the annual statement I have to look through all the pages, and at the bottom it says "price per share" or "unit value." That's what I want to know. It's just like a shareholder needs to know, "Are my shares up or down?" I don't care about all the commercial transaction stuff. That's really for the auditors to figure out. For the convenience of the consumers, I implore you to support Mr Hampton's motion here for clarity and transparency by having the price of electricity stated in the annual statement of the OPA. I don't think it's much to ask.

1150

I think Ms Wynne is siding a little bit on this one. I'd be surprised if she doesn't, because it seems to me that what she said is here. It's already done by the OEB. What if it's in two documents? It's not going to hurt anybody.

Mr Khalil Ramal (London-Fanshawe): I just want to go on the record to say that I'm in support that the consumer has a right to know the pricing and everything but we are not looking for duplication, more work and more confusion. That's why I'm not supporting this amendment.

Mr O'Toole: Did Mrs Cansfield give you those rules?

Mr Ramal: Nobody gave me anything. I believe it's the right thing not to confuse the people of Ontario. It's already in place.

Mrs Cansfield: Remember, the OEB has the responsibility of developing the regulated rate, which is part of the hybrid model, by March or April of next year, not earlier. So it's their responsibility to provide not just some but all the information to consumers. It makes far more sense for them to do their job, which is exactly that. They have all of the access to the information to provide to consumers. It's not an issue of not providing the

information or having it available; it's ensuring that it's in the right place so that it's all together.

Mr O'Toole: I think this is really at the customer level, our constituents' level, large or small. This is a pretty important piece of information. You mentioned that the OEB will approve a regulated rate, a blended rate of some sort, technically. I really feel that there's nothing in this that prohibits the OPA from publishing that number, even if they were to say, "In our plan, our plan is for rates to be like this." I understand that the OEB will approve the fees they charge, directed by the minister, by the way, because he has oversight on all of those organizations.

You know the trouble we had with transparency of the electricity bill. People were staggered to see these new lines on the bill. A debt retirement charge: That freaked them out. They didn't realize they were paying it as part of the rate. Also line loss charges: People today still wonder what this factor of 1.03 is on their bill. It is the cost of the loss of electrons in transmitting from the generator.

The Chair: Fifteen per cent.

Mr O'Toole: Yes. On the bill, I know today that I pay a blended rate. It wouldn't matter if I shut the fridge down at home. I'm paying all of the cost of creating all these electrons for the month, basically. That's what I'm paying, plus the transmitter, the distribution charges—all of those charges. You've increased each one of them. You've got the cost of administration. There's going to be a charge on the bill now for the consumer to pay for these meters. I think it's going to be collected through the LDC. So we need to have one place to look. On the annual statement, if I know I'm paying for electrons or electricity, which includes all these things—RFP costs and operating costs and all this stuff. I hope people are watching today, because I predict the price is going to be a nice, round six cents a kilowatt hour, which is about 25% more.

Mrs Cansfield: Is it better than a billion-dollar debt?

Mr O'Toole: The billion-dollar debt wasn't actually—the numbers were actually calculated over a six-year time frame. It had to do with supply adequacy. So that's a whole different debate. When you look halfway through a fiscal year at a tourism operation, if you looked at a tourism operation in the winter, and if it was a summer operation, their expenditures to revenues wouldn't match.

The Chair: We can debate the tourism industry on some other occasion. Mr Hampton, please?

Mr Hampton: I just want to point out the inherent contradiction here of the McGuinty government. You have the Minister of Energy saying that prices should be transparent, that people should know what they're paying. It's very clear that the Ontario Power Authority is going to play a very big role in signing long-term contracts, and yet the McGuinty government doesn't want people to know what the price is going to be on an annual, ongoing basis. It seems to me that despite all the rhetoric about openness and transparency, this is going to

be more mud, that the consumer will have a very difficult time knowing what the longer-term trends of electricity prices are going to be because the government will refuse to disclose that.

If what the price is on an annual basis has to be disclosed, sufficient details of the OPA's contracts to inform the public of the effect the contracts will have on the price of electricity, people will be able to know, "Boy, electricity is going to get a lot more expensive. I guess I shouldn't build that big house, or I guess I should look at some energy efficiency measures." By not putting this information out in the annual report, you're denying people the price signals they need to make intelligent decisions. It shoots a hole, totally, in your arguments and your press releases about openness and transparency and people knowing what the price of electricity is.

This is where the real price is going to be. This is where people are going to be able to tell: Is the price of electricity going up? Is it going down? Is it staying even? The OPA will determine much of this in long-term contracts and you're not going to make that information available to people.

Mrs Cansfield: Mr Chair, just for the record, that simply isn't true. The OEB has the responsibility for providing consumers with the information. The suggestion that Mr Hampton has made is inaccurate.

Mr Hampton: We'll see.

The Chair: Any further discussion? I will now put the question. All in favour of the amendment? Opposed?

Mr O'Toole: Recorded vote.

Ayes

Hampton, McMeekin, O'Toole.

Nays

Cansfield, Jeffrey, Ramal, Wynne.

The Chair: It's lost.

It being 12 o'clock, we'll recess until 1 o'clock this afternoon.

I'd just like to inform members that, looking at the rest of the amendments, it appears we won't be able to take the tour of the IMO in Clarkson this afternoon. I've asked the clerk to cancel the bus, which will mean that the committee budget will have to absorb the cost of that cancellation. We will reschedule the visit, because I think it's very important that we have a tour of IMO. We'll move forward on that.

We'll see you back at 1 o'clock.

The committee recessed from 1158 to 1307.

The Chair: We'll bring the standing committee on social policy to order. Mr O'Toole, then, on page 54?

Mr O'Toole: Section 32 of schedule A: I move that clause 25.28(2)(c) of the Electricity Act, 1998, as set out in section 32 of schedule A to the bill, be struck out and the following substituted:

"(c) the phasing-out of coal-fired generation facilities or the conversion of coal-fired generation facilities to clean coal technology; and".

What I mean by this, as a note of explanation, is I think it's going to be difficult and important to try and achieve the goal of eliminating the current technology of coal by 2007. Now, whether that's doable is questioned by many of the experts, but I think we have to look at reality, which is looking at energy resources.

Clean coal technology is improving on a daily basis, as can be demonstrated in other parts of the world. It has even fewer pollutants than natural gas or other alternative energy forms. In addition, it would force us to start purchasing—in the event of shortages, if we started purchasing power from the US to fill the supply gap, undoubtedly, we'll be reliant on coal-fired generation in the US. So I think that Canada and Ontario need to keep that option open. As I said earlier in the clean coal discussion, the Minister of Energy and the Minister of the Environment should set stringent regulations on emission targets. And if these new technologies cannot meet or exceed those targets, it should not be allowed on the grid. But if it can be, it shouldn't be eliminated as a right. I think it may form part of the solution in the future. I just think we should leave that alternative open there and yet not reduce the goal of trying to clean the environment.

Mrs Cansfield: Unfortunately, there still is the issue of CO₂ emissions, and that significantly impacts Kyoto and clean air, so we won't be supporting the amendment. Certainly, I would suspect as well that if there is any technology—every person I've spoken with in the coal industry has indicated that while you can clean the SO_x and the NO_x, you still can't deal with the CO₂. Maybe when the day does come when there is some type of technology out there that is cost-efficient and reasonable to use, we'll be able to avail ourselves of it. But until such time, there really isn't clean coal.

The Chair: Further discussion? I'll now put the question. All in favour of the amendment? Opposed? It's lost.

We'll go back to number 51. Mr Hampton?

Mr Hampton: Thank you, Mr Chair. I'm sorry I was a bit late. I had a couple of other things I had to quickly take care of.

I move that section 25.23 of the Electricity Act, 1998, as made by section 30 of schedule A to the bill, be amended by adding the following subsection:

"Unit price information

"(2.1) The annual report must include unit price information for each of the procurement contracts in effect during the fiscal year."

You don't have to identify the contract. Again, if you want to send price signals to industry, to consumers, to business, it seems to me that whatever procurement contracts are in effect during the year, someone should be able to look at the annual report and say, "Well, there were 15 contracts. One of those contracts was for 4.9 cents a kilowatt hour, another was for 5.1, another was for 5.3." Again, without disclosing which contract, which

company, it simply tells people, "This is where the price of electricity is headed; this is what's being negotiated."

It seems to me this is also part and parcel of the public being able to hold the Ontario Power Authority accountable. If, all of a sudden, you see contract prices jumping up to six and seven cents a kilowatt hour, I think the consumers of Ontario, who will have to pay the bill, deserve to know that. They don't need to know which companies. I would assume that the power authority is likely going to sign, over the course of, say, four or five years, a number of agreements. Simply saying there is a contract in place and it calls for unit price of 4.7, another contract in place and the unit price is 4.9 and another contract in place and the unit price is 5.1, and having that presented in the annual report, is information the public should have. It won't identify the economics of a particular company. It won't identify the bidding relationships or anything like that. It just says, "This is the price." If the government is really interested in being open and transparent, this kind of information should be in the Ontario Power Authority's annual report.

Mrs Cansfield: Certainly, I don't see why total payments may not be possible in terms of being provided in the annual report. As I understand, the IMO—the new IESO—currently actually publishes such items on its Web site, so I don't see why this is required.

The other is that it may be an issue of a development point in taking it under advisement. But actually, the confidentiality issues are a concern. I think that since total payments might be in the future, and the IMO currently is in a position where they do put things such as this on the Web, this would be something for further consideration in the future.

Mr Hampton: The IMO does not put individual contract prices on the Web. Keep in mind that the OPA is going to be doing something different. The OPA is going to be signing long-term procurement contracts. Those long-term procurement contracts are going to have a lot to do with setting the price. Simply tell people: "This is where the price is headed. For the next 20 years, this is the kind of price scenario we're looking at." Why would you want to deny that information to the public?

Again, you're dealing here with the OPA's accountability. If the OPA suddenly starts signing contracts at 8.5 or nine cents a kilowatt hour, I would think the public might want to know that—might need to know that—and should know that.

Mrs Cansfield: I'm not suggesting the information would not be available. I'm suggesting alternatives for the information. If you recall, the OPA must put together its business plan and procurement processes and go to both the minister and the OEB for approval. So it may be part of that process, but it has yet to be determined.

Ms Wynne: I think there's another issue here. As I understand it, Mr Hampton, there's an issue about the word "unit." The unit price is not static, and it may be, as Mrs Cansfield has said, that as we go forward we can find other language. It's not that the government is averse to having the information available; it's to pin down

exactly which price you're looking for. My understanding is that in these contracts the prices are determined by formula and the technical problem is to actually pin down what the unit price is. That's my understanding. I stand to be corrected, but I think that's part of the problem we're dealing with here. There isn't one price but a range of prices or a price determined by formula that's not static.

Mr Hampton: Then it would seem to me that if you're dealing with a price that may vary from 7.3 cents a kilowatt hour to 7.7 cents a kilowatt hour this year, you would disclose that. You wouldn't have to disclose the company. You'd simply acknowledge that there are other variables that might play, but the price will somehow move back and forth from here. Not being able to know what the price is—saying we can't publish the unit price because we don't know what it is—I think the public would need to know that too, or ought to know that.

Ms Wynne: I think the point I'm making is that "unit price" is probably the wrong language. I think we need to find different language. I don't know if the parliamentary assistant wants to add to that, but my understanding is that we need to find different language to move forward.

Mrs Cansfield: There's a fair comment on the issue of the formula of the unit price.

I think the other issue as well is that if you start publishing an individual price or unit price, does that become the price in a further negotiation? That's why I say I don't believe there would be any difficulty in terms of publishing the totals, but I think there are some legal issues that need to be resolved before we move forward on something as significant as this.

Mr Hampton: I remain unconvinced as to why the public shouldn't know the unit prices of long-term contracts. When it comes down to the individual consumer, they're going to be asked to pay a unit price.

Mrs Cansfield: Mr Hampton, I think I've said it three times now: Nobody is opposed to that; we need to find the correct mechanism whereby—

Interjection.

Mrs Cansfield: That's correct.

The Chair: Further discussion? I will now put the question. All those in favour of the amendment? Opposed? It's lost.

Shall schedule A, section 30, as amended, carry? All in favour? Opposed? It's carried.

Mr Hampton?

1320

Mr Hampton: I move that subsection 25.28(1) of the Electricity Act, 1998, as made by section 32 of schedule A to the bill, be struck out and the following substituted:

"Integrated power system plan

"(1) Once during each period prescribed by the regulations, or more frequently if required by the minister or the board—"

The Chair: Excuse me, Mr Hampton. We're on number 52.

Mr Hampton: I'm sorry. I moved it over too quickly.

Mr O'Toole: You assumed it would fail.

Mr Hampton: Yes.

I move that subsection 25.27(2) of the Electricity Act, 1998, as made by section 31 of schedule A to the bill, be struck out and the following substituted:

“Forecast and assessments

“(2) The OPA shall incorporate the forecasts and assessment of the conservation bureau regarding energy conservation and load management into its assessment of the adequacy and reliability of electricity resources.”

If I may just speak to this, it simply ensures that energy conservation and load management is taken seriously in any assessment of adequacy and reliability of electricity resources. What's the use of having a conservation bureau that is working away at conservation if their assessments of conservation capability and load management are not going to be taken into account by the OPA and incorporated into their forecasts and assessments?

Mrs Cansfield: That's exactly our argument as to why the conservation bureau will be embedded in the OPA, because it is within the OPA's mandate to actually forecast and deal with the issues of conservation. But ultimately the minister will set the overall targets for conservation for the province, which is clearly outlined in this bill. In fact, what we're doing is saying to you that we've already got this within the OPA mandate. The targets will be set by the minister and the OPA does get their directions from the minister.

Mr Hampton: In response, this has nothing to do with embeddedness and it has nothing to do with targets; it has everything to do with the conservation bureau doing their work seriously and being able to come up with reliable information as to conservation prospects, load management prospects and then having that incorporated into the OPA's forecasts and assessments. If you don't have that structurally in legislation, it suggests to me you're not really taking conservation and load management seriously. The OPA can then say, “Oh, yes, we hear what the conservation bureau says, but we don't have to regard that information.” Either you take conservation and load shifting seriously, in which case it gets built right into the OPA's assessments and forecasts, or you don't take it seriously. If you take it seriously, it seems to me, you put it in legislation: “They shall take this into account.”

Mrs Cansfield: I think I've outlined the position that in fact we believe this is within the OPA's mandate, that they will work in an integral fashion with one another. There are public forums whereby, through an annual report, the conservation bureau will be able to identify existing barriers to determine whether or not the government is meeting its priorities. It's all very public, it's very open, it's very accessible, so I see no reason to change the legislation. We in fact have another process in place where the Ontario Energy Board as well will be a part of approving the procurement process for the OPA. The OPA has, within its mandate, as I said before, conservation. You'd clearly have to live on another planet if you didn't think conservation was a cornerstone of the Liberal platform in the last eight to 10 months. So you know it is embedded in our philosophy.

Mr Hampton: If you're serious, put it in the legislation.

Mrs Cansfield: We are serious. It is in the legislation. It's in the OPA mandate.

The Chair: Further discussion? I will now put the question. All in favour of the amendment? Opposed? It's lost.

Shall schedule A, section 31 carry? All in favour? Opposed? It's carried.

There are no amendments to schedule A, section 33. Shall—

Mr Hampton: Hang on, I still have—

The Chair: Yes, you do, Mr Hampton. My apology.

Mr Hampton: I move that subsection 25.28(1) of the Electricity Act, 1998, as made by section 32 of schedule A to the bill, be struck out and the following substituted:

“Integrated power system plan

“(1) Once during each period prescribed by the regulations, or more frequently if required by the minister or the board, the OPA shall develop and submit to the board an integrated power system plan,

“(a) that is designed to ensure the adequacy and reliability of electricity supply through the following, in the following order of priority,

“(i) energy conservation and efficiency and load management,

“(ii) the use of renewable energy sources,

“(iii) the use of clean energy sources;

“(b) that will protect public safety and the environment, and promote economic and environmental sustainability in the generation, transmission and distribution of electricity; and

“(c) that encompasses such other related matters as may be prescribed by the regulations.”

If I may speak to this, it seems to me that if you're serious about energy conservation and efficiency and load-shifting, you put it in the legislation. If you're serious about the use of renewable energy sources, you put it in the legislation. If you're serious about the use of clean energy sources, you put it in the legislation, so that it's clearly understood what the OPA must do and the framework they must go through is clearly understood. Once again, this shall be submitted to the board in the form of an integrated power system plan.

Otherwise, if these things aren't in the legislation, it seems to me that rhetoric about energy conservation and efficiency and load-shifting, rhetoric about renewable energy sources and rhetoric about clean energy sources is just that. Either you're doing this or you're not. If you're doing it, put it in the legislation so that the direction the OPA must follow is clear.

Mrs Cansfield: It's always interesting to hear rhetoric from a previous government that actually cancelled conservation programs.

This amendment does not provide for the flexibility that is required. It doesn't identify the definitions of what clean energy is. It actually speaks to a prioritization as opposed to the flexibility that we need in terms of that supply.

Everybody has recognized that it's going to be a mixed supply that's required. You can't have all of one or the other. We need to find some time and some balance. This certainly doesn't permit any of that. As I said, to add to that, it doesn't even provide the necessary—what do you mean by “load management? What do you mean by “clean energy”? It means one thing to another and something to someone else. So at this point, I'm not able to support this amendment.

Mr McMeekin: I can't support this. I think he kills the whole green energy sector. If you're making decisions about supply based on efficiency, first and foremost, there may well be some provision of supply that objectively is less efficient but of higher value because of some other decisions that a government makes. So when you put that as your first priority and the others are to be sequential, I think what you're doing, ironically, is knocking off the very goal that you espouse wanting to head toward. I think that's bizarre. I wouldn't support it on that basis alone.

Mr O'Toole: I would just like to refute what Mrs Cansfield said. It's absolutely false, if you look at what we did. In fact, in your last budget you cancelled the sales tax rebate on the Energy Star energy-efficient appliances. So we did incent conservation but we also looked at generation. The coal plan that we had was far more realistic, and after long consultations, it is our government that actually made the plan to shut down the Lakeview plant, the coal-generation plant, next year, not your government. It's our government that actually commissioned the Toronto utility to bring on stream the wind generation, several at Bruce, as well as the Pickering station wind generation.

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I'd like to make sure that you understand the long road of travesty. If you want to look further back and become acrimonious about this, it probably goes back to when Howard Hampton was Minister of Natural Resources and cancelled the contract with Manitoba. It actually goes back to Maurice Strong. It goes back to a lot of mismanagement that really started under David Peterson when they screwed up the Darlington nuclear restart/cancel. So let's keep it in perspective.

Yes, there's a lot of work to do. This bill goes part of the way—

Mrs Cansfield: Mr O'Toole, I think you're protesting too loudly. I was referring to Mr Hampton and not to you.

Mr O'Toole: I have the floor, Chair.

The Chair: Mrs Cansfield, please. Mr O'Toole, what I would ask is that you stick to the amendment.

Mr O'Toole: I am. Mrs Cansfield, you can probably yell louder than I can, and I understand that, but the truth is hard for you to take. When you say things that are false, I must correct the record.

Mrs Cansfield: I didn't say—

Mr O'Toole: Yes, you did.

Mrs Cansfield: No, I didn't. It referred to Mr Hampton.

Mr O'Toole: You said our government cancelled conservation plans.

Mrs Cansfield: I was speaking about Mr Hampton, Mr O'Toole.

The Chair: Thanks, Mr O'Toole.

Mr O'Toole: Thank you for listening.

Mr Hampton: I have a responsibility to respond. Mrs Cansfield would be wise to read the comments of the former energy critic for the Liberal Party in 1990, 1991, 1992 and 1993, one Dalton McGuinty, who said conservation was too expensive for Ontario.

Mrs Cansfield: May I please respond?

The Chair: Mrs Cansfield, you have the floor.

Mrs Cansfield: Thank you. First of all, Mr O'Toole, I was not referring to you, actually, I do say; I was referring to Mr Hampton. I lived through that particular dynasty and things such as the social contract. That's what I was referring to.

In fact, I applaud the select committee on renewables. The challenge was, unfortunately, that you didn't do enough with it. Having said that, it was an excellent report.

The Chair: Further discussion? I will now put the question. All in favour of the amendment? Opposed? It's lost.

Mr Hampton, you're on again.

Mr Hampton: I move that subsection 25.28(2) of the Electricity Act, 1998, as made by section 32 of schedule A to the bill, be amended by striking out “and” after clause (c), by adding “and” after clause (d), and by adding the following clause:

“(e) the protection of the environment and public ... safety and security.”

Again, this simply speaks to making sure that protection of the environment, public health, safety and security are recognized as priorities in the bill and legislatively.

The Chair: Mr Hampton, I think when you introduced your amendment, you may have left out the word “health.” I think you want that included, right?

Mr Hampton: Yes, “the protection of the environment and public health, safety and security.”

Mrs Cansfield: In our own amendments for the purposes section, we have already addressed these issues of safety, sustainability, reliability, conservation and certainly cleaner energy sources, so we see no need for this amendment.

The Chair: Further discussion? I will now put the question. All those in favour? Opposed? It's lost.

Shall schedule A, section 32, carry? All in favour? Opposed? It's carried.

There are no amendments to schedule A, section 33. Does it carry? All in favour? Opposed? That's carried.

Mrs Cansfield, please.

Mrs Cansfield: I move that subsections 25.30(4), (5) and (6) of the Electricity Act, 1998, as set out in section 34 of schedule A to the bill, be struck out and the following substituted:

“Transition

“(4) Despite subsection (2), the minister may direct the OPA to assume, as of such date as the minister considers appropriate, responsibility for exercising all powers and performing all duties of the crown, including powers and duties to be exercised and performed through an agency of the crown,

“(a) under any request for proposals, draft request for proposals, another form of procurement solicitation issued by the crown or through an agency of the crown or any other initiative pursued by the crown or through an agency of the crown,

“(i) that was issued or pursued after January 1, 2004 and before the board’s first approval of the OPA’s procurement process under subsection 25.29(4), and

“(ii) that relates to the procurement of electricity supply or capacity or reductions in electricity demand or to measures for the management of electricity demand; and

“(b) under any contract entered into by the crown or an agency of the crown pursuant to a procurement solicitation or other initiative referred to in clause (a).

“Release of the crown, etc

“(5) As of the day specified in the minister’s direction under subsection (4), the OPA shall assume responsibility in accordance with that subsection and the crown and any crown agency referred to in that subsection are released from any and all liabilities and obligations with respect to the matters for which the OPA has assumed responsibility.

“Deemed compliance

“(6) The following contracts shall be deemed to be procurement contracts entered into in accordance with any integrated power system plan and procurement process approved by the board:

“1. A contract entered into by the OPA following a procurement solicitation or other initiative referred to in clause (4)(a).

“2. A contract referred to in clause (4)(b).

“Same

“(7) The OPA shall enter into any contract following a procurement solicitation or other initiative referred to in clause (4)(a) if directed to do so by the Minister of Energy, and that contract shall be deemed to be a procurement contract that was entered into in accordance with any integrated power system plan and procurement process approved by the board.”

If I could speak to this, the amendments to this section actually enable the RFPs or contracts to be transferred from the crown or a crown agent to the OPA at different times rather than all at once. It actually expands the scope of what may be transferred to the OPA to include any initiative by the crown or a crown agent relating to electricity supply, capacity or demand management. It enables the Minister of Energy to direct the OPA to enter a contract that the government has previously negotiated.

The Chair: Discussion? I will now put the question. All in favour of the amendment? Opposed? It’s carried.

Shall schedule A, section 34, as amended, carry? Carried.

Since there are no amendments to schedule A, sections 35 and 36, I would move and ask if they would be carried at this time. All in favour? Opposed? They’re carried.

Mr Hampton: you’re proposing a new section in schedule A: section 36.1.

Mr Hampton: That’s right. I move that schedule A to the bill be amended by adding the following section:

“36.1 The act is amended by adding the following section:

“First Nations

“25.33 Where the government of Ontario has established any program by which municipalities assist low-income consumers in paying for electricity, a band within the meaning of the Indian Act (Canada) is entitled to participate in the program.”

By way of explanation, we now have the anomaly in Ontario whereby the government has established a special low-income assistance plan for someone living in an organized municipality but First Nations are not able to participate in this. In fact, if I can quote the minister, the minister said that if people living on an Indian reserve are having trouble paying their hydro bills, they should go and talk to Ontario Works and see if Ontario Works will use their discretion to help them. It seems to me that this creates a highly unequal and discriminatory situation. If there is going to be a low-income assistance plan, it should apply to all people in Ontario. It certainly shouldn’t exclude First Nations, as it does now.

1340

Mrs Cansfield: Mr Chair, if I may reply. In fact, it does include all groups as of this time. If you contact the ministry of Community and Social Services, that has been remedied. All groups are included. This amendment is not necessary.

Mr Hampton: We’ll see very shortly. I’ve got a number of First Nations calling me, reporting that individuals in their community can’t get the assistance. They’re told to go down to the Ontario Works office and plead with Ontario Works. I don’t think that’s equal treatment by any means. But we’ll see.

Mrs Cansfield: I’m sure I could get you the correct information to pass on to your constituents.

Mr O’Toole: Does that mean you support this amendment, so that it’s in writing?

Mrs Cansfield: No. It’s been changed by the issue that all groups are included.

Mr O’Toole: It just clarifies it, really.

Mrs Cansfield: Nobody is excluded.

Mr O’Toole: Where does it say that in section 25.33?

Mrs Cansfield: It’s not part of this act. It’s part of—

Mr McMeekin: We don’t want to marginalize anybody.

The Chair: Is there a way, Mrs Cansfield, we could get some definitive information on this before the committee finishes our deliberations today? Maybe we can stand this one down if we could get some information that would satisfy all members of committee.

Mrs Cansfield: We can do that.

The Chair: Mr Hampton, can we stand this down?

Mr Hampton: That's fine.

The Chair: Mr O'Toole, is that acceptable?

Mr O'Toole: That's great; excellent.

The Chair: We'll now deal with schedule A, section 37. There are no amendments to that. Shall schedule A, section 37, carry? Opposed? It's carried.

Mrs Cansfield: Section 38 of schedule A to the bill, subsection 29(1) of the Electricity Act, 1998. The government recommends voting against section 38 of schedule A to the bill.

Reason for notice rather than motion: This notice, which recommends voting against the section, is provided instead of a motion to strike it out. The reason is that parliamentary procedure requires that the committee vote against the section, rather than pass a motion to strike it from the bill, if the committee wishes to have it removed from the bill.

Mr O'Toole: Any debate on this? "A distributor"—that's the local distribution company—"shall sell electricity to every person connected to the distributor's distribution system, including a purchaser of electricity under a retail contract of a type prescribed by the regulations who requires additional electricity to satisfy his or her total electricity needs, unless the person has advised the distributor in writing that the person does not wish to purchase electricity from the distributor."

I don't get why you're eliminating this. It clarifies that the LDCs must sell electricity to everyone who is connected to the system.

Mrs Cansfield: A number of the local distribution companies have raised concerns with respect to the capital and operating costs as well as the operational complexities associated with this implementation of split supply. The LDCs, for example, would need to distinguish between the amount of green electricity supplied by the retailer relative to the purchaser's total demand at any given point. The OPA, working with the minister's directive, will establish a system-wide renewable target and will be active in the fostering of green power in the renewable industry. So in essence, voting against this is to help work with the LDCs to find a more appropriate mechanism. This was an issue raised by the local distribution companies themselves.

The Chair: Wasn't this raised by the LDC group in Ottawa when they made their presentation?

Mrs Cansfield: It's actually been raised by all the local distribution companies across the province in terms of dealing with split supply. So what we're saying is that we're listening to you and we'll find a better way to do business.

Mr O'Toole: It says here, I think, that everyone connected to the grid has the right to receive electrons, unless, as it says in the last line, the person has advised the distributor in writing that they want to get off the grid. Otherwise, there may be some reason not to connect a new plant, a new factory, a new greenhouse, because the LDC doesn't have enough electrons under its current

contracts or whatever. To me, I feel more comfortable with it being in here, so that it means anyone that's connected to the wires has the right to expect that they'll be sold electricity, the exception being that they have said in writing they want to be off the grid.

What if you have what you call distributed generation? That could be a case more for Howard, where you'd have a pulp and paper plant that wants to co-generate and set up their own distribution system for excess electricity. I think the person at the end of that logging road should have the right to buy the electrons. That's all I'm saying. If you take it out, what guarantee do people have that they have access to the grid, to the system? I'm just seeking clarification. I'm not in confrontation here in any way.

Mrs Cansfield: Right. The existing act says, "A distributor shall sell electricity to every person connected to the distributor's distribution system," except a person who advises "the distributor in writing that the person does not wish to purchase electricity from the distributor." That is what is being stricken out.

The problem is, the local distribution companies have said to us that with the price freeze they've had and the fact that they couldn't collect their third tranche, they are in tight financial shape. This is an additional cost to them, and they need to find a better mechanism to work. We've said to them, "We're listening to you, and we will sit down." The minister will deal with developing the renewable targets, and we will work with the local distribution companies to find a mechanism that works for them. It doesn't say that we're not going to deal with the green energy issue. We are. We've made that commitment. It just says, in fact, that we'll work with our partners to find a better way to provide.

Mr O'Toole: I guess the remote parts of Ontario—it's very expensive to deliver those electrons down the logging roads. If you are saying, "Well, the LDC says, 'I just don't want to sell them electricity,'" who the hell's going to service them? I don't really have enough information here to say that this issue is addressing something the LDCs brought up that won't prevent people from purchasing electricity.

Mrs Cansfield: But this deals, if I may, with renewables. It's not dealing with anything but the renewable energies. It's the issue of the split supply. So we're just trying to find a better way so that people, in fact, can deal with it.

Mr O'Toole: I am looking at section 38, and there's no word "green" in here.

Mrs Cansfield: That was the intent. That's why we're withdrawing this, so we can find a better way to do it.

Mr O'Toole: All right. I think I've made my point, that if someone's cut off the grid, through no request of their own, this section here doesn't protect anyone.

I'd like to have that explanatory note. I think it'd be helpful in the future if I knew why I listened to that section.

Mrs Cansfield: Certainly.

The Chair: Further discussion? Shall schedule A, section 38, carry? Opposed?

Interjection.

The Chair: Yes, you want to vote against it. I have to ask if it's carried. It's not going to be carried, so you're voting against it.

Mrs Cansfield: We have.

The Chair: Shall schedule A, section 38, carry? Opposed? It's lost.

Mrs Cansfield: I move that section 29.1 of the Electricity Act, 1998, as set out in section 39 of schedule A to the bill, be struck out and the following substituted:

"Conservation measures

"29.1(1) Subject to section 71 of the Ontario Energy Board Act, 1998, and such limits and criteria as may be prescribed by the regulations, a transmitter, distributor or the OPA may provide services that would assist the government of Ontario in achieving its goals in electricity conservation, including services related to,

"(a) the promotion of electricity conservation and the efficient use of electricity;

"(b) electricity load management; or

"(c) the promotion of cleaner energy sources, including alternative energy sources and renewable energy sources.

"Same

"(2) Nothing in subsection (1) allows a distributor or transmitter to generate electricity by any means except through an affiliate approved by the board under section 71 of the Ontario Energy Board Act, 1998."

1350

If I could speak to this, in essence, this bill provides greater clarity around the local distribution companies' ability to offer direct services related to conservation, energy efficiency, load management, renewable and alternative energy sources. As a matter of fact, most LDCs have an affiliate currently. Some stakeholders may have interpreted the current language to mean that the LDCs may own their own generation directly, and they have raised those regulatory concerns, so we have clarified that issue.

The Chair: Further discussion? I will now put the question. All those in favour of the amendment? Opposed? It's carried.

Shall schedule A, section 39, as amended, carry? Opposed? It's carried.

Mr Hampton, you have a new section 39.1.

Mr Hampton: That's right. I move that schedule A to the bill be amended by adding the following section:

"39.1 The act is amended by adding the following section:

"Restrictions on deposits

"30.1 (1) A distributor shall not require a low-income consumer to pay a deposit before providing the consumer with electricity.

"Regulations

"(2) The Lieutenant Governor in Council may make regulations defining 'low-income' consumer for the purposes of subsection (1)."

We're already seeing situations where low-income consumers are simply unable to pay a sizable deposit. In fact, the deposits, in some cases, that are being required are well beyond a person's ability to pay. It seems to me this is one of the issues that is going to become more and more serious. The time to do something about it in legislation is now.

Mrs Cansfield: There's no question this is an issue for the government as a whole. We're very aware of the challenges that people with modest incomes face. In fact, I have been travelling around the province, working with local distribution companies, addressing primarily this issue, and small businesses have a very modest profit line as well. We recognize that it's part of our responsibility to work with people to enable them to use their energy more efficiently.

But in fact, this is enabling legislation and it really doesn't address or define the low-income customer. When it comes down to the security deposits, the Ontario Energy Board actually now has some province-wide rules. That is a standard that has been in place for some time. The board will continue to monitor, and they have the responsibility of monitoring, the local distribution companies' security deposit issues. I recognize they can be significant. If that standard requires changing, then it is incumbent upon the OEB to adjust that standard to meet the needs.

Regarding the low-income earners, as I indicated, everyone I've spoken to recognizes this is a serious concern and it's not restricted to any particular part of the province. As you know, we have entered into a number of initiatives to try to help people address this. Certainly we've just put in place a current initiative that will help address the replacement of appliances for folks with modest incomes. That will start in one area and then we hope to have that right across the province by this fall or early in the winter. That's through the housing associations.

So, for us, the legislation is not intended for what you've put here as an amendment. We recognize the challenges that are faced and we are dealing with them. But, in fact, this is enabling legislation and doesn't go to defining what is or what is not a low-income consumer. If you like, we could probably give you a copy of the different type of initiatives that are under way, the same as the low-income assistance from social housing.

Mr McMeekin: I think that would be helpful. I'd like to see that. I appreciate the assurance of the government, that the minister is reflecting on this important issue that has been raised. The argument that was raised is it's not appropriate here, but it is being looked at. Is that fair to say?

Mrs Cansfield: That's correct. It is being looked at.

Mr McMeekin: OK. I've written to the minister myself, because Mr Hampton's right, these are the kinds of human-face issues we see from time to time. I have some responsibility for the seniors' portfolio and as recently as two days ago was asked by seniors to reflect on this important issue—not specifically the deposits but the whole issue of energy affordability.

That said, and I don't know if this is the place or not, but being we're all hopefully in tune and non-partisan in terms of vulnerable seniors and low-income folk who may have some difficulty with changes, particularly when not that many years ago we were telling everybody to live better electrically—it was cheap and all that sort of stuff—I'm less concerned about the deposits than I am about the ability to cut off the source of power into homes. I know that at one point, in response to some queries raised publicly in the House, the then government—I give them credit for this—moved to preclude arbitrarily shutting off the power of low-income vulnerable seniors and others. I think that provision ran out. I don't think that's in effect any longer. I'm wondering if the parliamentary assistant—we raised this in some of our background stuff, Donna. I wonder if you have any comments on that. Will the ministry be looking at this particular issue, hopefully with a view to providing some assurance that those who, for whatever reason or combination of reasons, simply can't make things work—often they have young kids, people with unusual circumstances—are somehow going to be protected and their power isn't going to be shut off? I'm very concerned about that.

Mrs Cansfield: I believe everybody in this room is, Mr McMeekin, to be quite honest with you.

The ministry has entered into a partnership or coalition, if you like, with the Canadian Environmental Law Association to specifically look at dealing with low-income and how they can work with local distribution companies on the demand side in terms of conservation to help these folks, and they are identified; as I indicated as well, dealing with social housing, again finding ways and means in terms of metering. We find in our analysis—presumably most folks know this—that unfortunately the lower your income, typically the higher proportion you pay in relation to energy. Part of it is because in the past we've had low-income housing and we've had it electrically heated. The challenge now, of course, is that the equipment is old, as are their appliances etc. So it's incumbent on all of us to find opportunities where we can help folks who live on modest means.

It's going to take a very concerted effort on behalf of all of us to work together. I know that when I was in Peterborough, we met with the association in Peterborough. As I say, I've been across the province. We are currently working with professional engineers, people from interior design, Hydro One, the ministry and NRCan on a small business initiative, looking at how we can help in terms of supplying the audits but having the costs covered, both by NRCan and local distribution companies.

We're making a concerted effort in that area in particular. I think the reason is obvious: We need to help those who are less fortunate and do not have those tools readily at hand. All of us recognize that is something we need to do. As I indicated, this legislation isn't specific to that, because it's enabling, but that does not preclude that

any one of us is not looking at ways and means to help those who are more disadvantaged than we are. If people have ideas other than what we've proposed—and I can tell you that the distribution companies have come up with a significant number of those proposals, along with others from the community, including the large local distribution companies—I'd be delighted to hear them, because that's part of our conservation initiative.

Mr Ramal: I just want to be on the record as sharing that concern with Mr Hampton, especially about low income and the security deposit, because this is a very serious issue in my riding of London-Fanshawe. So many people complain about it. Actually, I learned a couple of days ago about many people being cut off hydro because they didn't have the money for a security deposit or to pay the bill, because they have low incomes.

I don't want to be against this motion, which means I'm against the low-income or supporting the deposit. I'm against it because it's not related to Bill 100. Also, I was pleased when I listened to parliamentary assistant Donna Cansfield's explanation of how we can deal with this issue with different mechanisms. I'm looking forward to hearing more details from the assistant minister of energy to take to my riding of London-Fanshawe.

1400

Mr Hampton: Gee, since all the government members are concerned about the problem, I can't imagine why they wouldn't want to include this section in the bill to say very clearly to distributors, "You can't demand a security deposit of someone who clearly doesn't have the money."

Mr McMeekin: I just want to say again that I'm more concerned about—and we've had a commitment to look at this. The deposit is something the government is saying doesn't belong in the act, but we are going to give a commitment to revisit that issue, as well as the issue of the suspension of access to service. I appreciate that initial assurance very much.

I just want to say, for those who may not understand the importance, how it works now. You get a call in the constituency office from somebody who may be just coming home from the hospital or something and they need a little extra heat. Maybe they're living out in a rural area in my riding. Perhaps there has been some history of failure to meet the financial obligations and, yes, maybe it has run over three or four months, and you've intervened. Then somebody comes along and cuts it off.

Nine times out of 10, if we jump through enough hoops we can get it back on again. But it sometimes takes a day and a half or two days of my time. I don't mind doing it, because it's important. But the personal intervention depends on whether or not you have a good relationship with the local distribution company. God help you if you don't, or if you don't have a good relationship with a CCAC and you need some help with a long-term-care situation.

The point I'm trying to make is that it shouldn't have to be that way. There should be some basic protections

from each according to their means to each according to their needs. I think Jesus was the first one who said that.

All of that aside, I think there needs to be a way to—

Mr Hampton: I think it was Karl Marx.

Mr McMeekin: He read his Bible, obviously. People forget he was quite an interesting and well-read man.

I'm being told to wrap it up. I don't think it should have to work that way. I don't think it should depend on whether Mr Hampton or Mrs Cansfield or Ms Wynne or Mr McMeekin has a particularly good relationship with some bureaucrat in the system somewhere that it gets turned back on.

Mr Hampton: I just want to point out to members that the current policy of Hydro One is that where somebody's hydro has been disconnected, they don't connect again until the bill is paid in full, including any penalty and a security deposit. For all kinds of folks that means they might as well kiss their hydroelectricity goodbye, because they would never have the disposable income to pay all that. That's the situation people are facing.

The Chair: Shall schedule A, section 3.1, carry? All in favour? Opposed? It's lost.

There are no amendments for schedule A, section 40. Shall it carry? Opposed? It's carried.

Mrs Cansfield, please.

Mrs Cansfield: I move that subsections 33(5), (6) and (7) of the Electricity Act, 1998, as set out in section 41 of schedule A to the bill, be struck out and the following substituted:

"Review by the board

"(5) The board,

"(a) may review any amendment to the market rules within 15 days after receiving a copy of it under subsection (2); and

"(b) shall review an amendment to the market rules within 15 days after receiving an application under subsection (4) for review of the amendment.

"Stay of amendment

"(6) No application for review of an amendment and no review by the board of an amendment under this section shall stay the operation of the amendment pending the completion of the board's review of the amendment unless the board orders otherwise.

"Same

"(7) In determining whether to stay the operation of an amendment, the board shall consider,

"(a) the public interest;

"(b) the merits of the application;

"(c) the possibility of irreparable harm to any person;

"(d) the impact on consumers; and

"(e) the balance of convenience."

We tried to make this language plainer than it was. I know that it's difficult, but the amendments actually ensure that a board review of market rule amendments on its own volition does not stay the operation of an amendment. It also ensures that these timelines actually do correspond with the board's powers to revoke amendments, which is in subsection 33(3) and subsection 34(2.2).

The Chair: Further discussion? I'll now put the question. Shall this amendment carry? Opposed? It's carried.

Shall schedule A, section 41, as amended, carry? All in favour? Opposed? It's carried.

Since there are no amendments for schedule A, sections 42, 43, 44 and 45, shall they carry? Opposed? Carried.

We now go to schedule A, section 46.

Mrs Cansfield: I move that section 46 of schedule A to the bill be struck out and the following substituted:

"46.(1) Subsection 37(1) of the act, as re-enacted by the Statutes of Ontario, 2002, chapter 1, schedule A, section 6, is amended by striking out 'IMO-administered markets' and substituting 'IESO-administered markets.'"

(2) Subsection 37(16) of the act, as enacted by the Statutes of Ontario, 2002, chapter 1, schedule A, section 6, is repealed and the following substituted:

"Submission of report

"(16) The panel shall submit the report to IESO, the board and any other person that the panel considers appropriate."

This is just an amendment to correct the drafting reference from the IMO to the IESO.

The Chair: Discussion?

Mr O'Toole: Subsection 37(1)—I'm just looking here: Should that be (16) or (1)? It says here "(16) of the act." Next, 46(2), 37(16): Is that a typo or is that correct? Where is that in here? I'm on page 29.

Mrs Cansfield: I'm just checking.

Mr O'Toole: It's just a technical thing.

Mrs Cansfield: Can I ask counsel?

Mr O'Toole: It doesn't refer to that in the subsection.

Mr Steve McCann: Steve McCann, counsel, Ministry of Energy. I think in this motion, 46(1) is just to correct a minor drafting oversight in which a reference had been left in the Electricity Act to the IMO-administered markets. That should have been changed to the IESO-administered markets, which this does. So that's just an updating matter.

Subsection (2) really just leaves in place the existing—

Mr O'Toole: Yes, I follow that.

Mr McCann: —matter that's already in Bill 100.

Mr O'Toole: That's fine. There's no subsection 37(1) in this bill.

The Chair: Any further discussion? I will now put the question. All those in favour of the amendment? Opposed? It's carried.

Shall schedule A, section 46, as amended, carry? All in favour? Opposed? It's carried.

There are no amendments to schedule A, sections 47, 48 and 49. Shall they carry? Opposed?

1410

Mrs Cansfield: It's 49.1.

The Chair: I'm sorry. There's a new section 49.1.

Should 47, 48 and 49 carry? It's carried.

Mrs Cansfield, a new section, 49.1.

Mrs Cansfield: I move that schedule A to the bill be amended by adding the following section:

"49.1 Part IV.1 of the act is amended by adding the following section:

"Power to acquire land and property

"53.6(1) Ontario Power Generation Inc may, without any further approval and without the consent of the owner, enter upon, take possession of, expropriate and use such land, property, waters, water privileges, water powers, rights of access and roads, buildings and works as in its opinion are necessary for the purpose of the expeditious development and construction of works for the conveying of water by subsurface tunnels from the Niagara River to any existing or future power generation facilities and ancillary works at Niagara.

"Same

"(2) Subsection (1) applies,

"(a) despite any provision of this or any other act;

"(b) despite the devotion or deemed devotion of the land or property to a municipal or other public use;

"(c) despite the power of the owner of the land or property to take land compulsorily;

"(d) despite the origin, nature or sources of the owner's title to or interest in the land or property; and

"(e) despite the manner by which the land or property was acquired by the owner or any of the owner's predecessors in title.

"Easements continue until release

"(3) Despite any provision of any other act, if Ontario Power Generation Inc acquires an easement through, over, under or otherwise affecting any land, the land shall continue to be subject to the easement and the easement shall be binding upon the owner and all subsequent owners of the land until Ontario Power Generation Inc grants a release.

"Acquisition of whole parcels

"(4) Ontario Power Generation Inc may acquire a whole parcel of land of which only a part may be acquired under the authority of this section, together with any right of way to it if the parcel is separated from the works, if Ontario Power Generation Inc reasonably believes that the whole parcel may be obtained at a more reasonable price or there is a greater advantage to acquiring the whole parcel instead of only the part and Ontario Power Generation Inc may later sell and convey all or part of the excess land as it considers expedient.

"Expropriations Act application

"(5) If a power exercised under subsection (1) does not constitute an expropriation, Ontario Power Generation Inc shall provide compensation to the owner based on market value as provided by the Expropriations Act.

"No court action

"(6) No action or exercise of a power by Ontario Power Generation Inc under this section shall be restrained by injunction or other process or proceeding in any court.

"Definitions

"(7) In this section,

"'easement' means an easement, right of way, right or licence in the nature of an easement, profit à prendre or other incorporeal hereditament;

"'land' means any real property and includes any estate, term, easement, right or interest in, to, over, under or affecting real property;

"'owner' includes a mortgagee, lessee, tenant, occupant, a person entitled to a limited estate or interest in land and a guardian, committee, executor, administrator or trustee in whom land or any property is vested;

"'property' means property of any kind, other than land, and includes any interest in property;

"'works' includes all property, plant, machinery, buildings, erections, constructions, installations, materials, devices, fittings, apparatus, appliances and equipment for the generation, transformation, transmission, distribution, supply or use of power."

The Chair: Discussion?

Mr O'Toole: Just a question: Does this only apply to the Niagara tunnel project or does it include broader powers of expropriation?

Mrs Cansfield: The amendment provides for a limited power to Ontario Power Generation to expropriate lands for the Niagara tunnel. We guarantee land rights, and the scheduling is certainly required to expedite—

Mr O'Toole: But it's just the Niagara tunnel project.

Mrs Cansfield: That's correct.

The Chair: Any further discussion? Shall schedule A, section 49.1, carry? Opposed? It's carried.

There are no amendments to schedule A, section 50. Shall it carry? Opposed? It's carried.

Mrs Cansfield, please.

Mrs Cansfield: I move that section 51 of schedule A to the bill be amended by adding the following subsection:

"(1.1) Subsection 114(1) of the act, as amended by the Statutes of Ontario, 2001, chapter 23, section 69 and 2002, chapter 23, section 3, is amended by adding the following clause:

"(a.1) prescribing classes of persons for the purposes of subsection 7(4)."

The Chair: Discussion? I'll put the question. Shall this amendment carry? Opposed? It's carried.

Mrs Cansfield: I move that subsection 51(3) of schedule A to the bill be struck out.

The Chair: Discussion? I'll put the question. All in favour of the amendment? Opposed? It's carried.

Mrs Cansfield: I move that subsection 114(1.2) of the Electricity Act, 1998, as set out in subsection 51(7) of schedule A to the bill, be amended by adding the following clause:

"(a.1) prescribing classes of persons for the purposes of subsection 25.4(4);"

The Chair: Discussion? I'll put the question. All in favour of the amendment? Carried.

Mr O'Toole:

Mr O'Toole: I move that clauses 114(1.2)(c), (d) and (e) of the Electricity Act, 1998, as set out in subsection 51(7) of schedule A to the bill, be struck out.

In that respect, it goes back to the original arguments I've been making about the fees being collected on behalf

of the OPA. Therefore, regulations are not required in this instance if the previous attempts I've made to prevent the OPA from levying fees have failed. I ask your indulgence in furthering that argument by supporting this amendment.

The Chair: Discussion?

Mrs Cansfield: In essence, this would really just take out three of the required regulations that would give the OPA authority for fees, and certainly we can't support that amendment.

Mr O'Toole: It's clear that the intent here is to raise the cost of electricity through fees.

Mrs Cansfield: If I may, Chair, in fact I think the issue that's important is to recognize that we believe the costs should be recovered through the rate base and not through the tax base, as is being suggested.

The Chair: Further discussion? I will now put the question. All in favour of the amendment? Opposed? It's lost.

Mrs Cansfield: I move that subclause 114(1.3)(f)(xii) of the Electricity Act, 1998, as set out in subsection 51(8) of schedule A to the bill, be amended by striking out "distributor or retailer" and substituting "distributor, retailer or generator."

The Chair: Discussion? I now put the question. All in favour of the amendment? Opposed? It's carried.

1420

Mrs Cansfield: I move that subclause 114(1.3)(f) of the Electricity Act, 1998, as set out in subsection 51(8) of schedule A to the bill, be amended by adding the following subclause:

"(xiv) requiring the financial corporation or the OPA to provide information to the IESO or the board for the purposes of section 25.31 or a regulation made under this clause."

The Chair: Discussion? I will now put the question. All in favour of the amendment? Opposed? It's carried.

Shall schedule A, section 51, as amended, carry? All in favour? Opposed? It's carried.

We can now move to schedule A, sections 52, 53, 54, 55, 56, 57, 58 and 59, since there are no amendments. I will move that those sections in schedule A be carried. All in favour? Opposed? They're carried.

Mr Hampton: I move that section 161.4 of the Electricity Act, 1998, as made by section 59 of schedule A to the bill, be amended by adding the following subsection:

"Termination of IESO-administered markets

"(3) The Lieutenant Governor in Council shall make regulations terminating the IESO-administered markets, and establishing transitional provisions for that termination."

If I may speak to this, I think Mr O'Toole would admit that the IMO-administered markets did not work very well under the former government. In fact, they worked so badly that the government had to bring in a price cap. Members of the committee heard from Professor Thomas of the University of Greenwich, who said that when you're already facing a situation of electricity shortage,

administered markets don't work very well. In fact, you often create the conditions for very high electricity prices.

So I'm merely suggesting that members of the committee recognize what the former government felt only too painfully when the administered markets shot up to 40, 50, 60 cents a kilowatt hour and recognize the wisdom of Professor Thomas, who said that so-called administered spot markets aren't working very well anywhere in the world. Here's a chance to get out of this problem now by this simple amendment, which New Democrats strongly recommend.

Mrs Cansfield: We do not agree with this amendment. The IESO-administered markets are a part of the hybrid model, and the hybrid model is the way the Liberal government is going.

The Chair: Further discussion? All in favour of the amendment?

Mr Hampton: I find the contrast interesting. Before the election, Mr McGuinty said power would remain in public hands—

The Chair: Opposed? The amendment is lost.

Shall schedule A, section 59, carry? All in favour? Opposed? Carried.

Do we have the information regarding our First Nations people yet? We can't move—

Interjection.

The Chair: It's coming, so we'll go back to schedule A, section 60, when we get that information. We're moving there right now. Mr Hampton, you're up first.

Mr Hampton: I move that section 1 of the Ontario Energy Board Act, 1998, as made by section 1 of schedule B to the bill, be amended by adding the following paragraphs:

"3. To promote the following, in the following order of priority, in a manner consistent with the policies of the government of Ontario:

"i. energy conservation and efficiency and load management,

"ii. the use of renewable energy sources, and

"iii. the use of clean energy sources.

"4. To protect public safety and the environment, and promote economic and environmental sustainability in the generation, transmission and distribution of electricity."

Let me be clear. I tried earlier to get these stated purposes adopted into the bill. Government members responded by saying, "Oh, this is in the nature of the Ontario Energy Board." Well, if it is, then let's put it clearly within the mandate and the objectives of the Ontario Energy Board. The government says in its press releases that it wants to promote energy conservation and efficiency and load management, that it wants to promote the use of renewable energy resources, that it wants to promote the use of clean energy sources. Then put it in the OEB's mandate by clearly putting it in the legislation.

Mrs Cansfield: In our own amendments to the purposes section of the bill, we've already addressed the issues of safety, sustainability, reliability, conservation

and cleaner energy sources. The minister will determine the targets for renewable energy and will ensure that those targets are met. I think we've had this discussion many times today, and the position of the government is still the same. We believe we've addressed these issues. We have concerns around the definitions and the issue of prioritization, where we would require more flexibility.

Mr McMeekin: The hierarchy is still wrong. You're still contradicting parts (b) and (c) by insisting on following a sequential priority listing. I think that's the fourth time I've said that in the last two days, so I won't go on any more than that.

Mr O'Toole: Just quickly, the first amendment that the government moved during these deliberations was with respect to adding the word "safety" to the overarching purpose clause of clause 1(a). There's no such amendment here that I see at this point under schedule B.

Now, the purpose clause specifically addresses schedule A. If you look at the explanatory notes in there, this is the part where you're adding "safety." I don't support Howard's priority list, as we have discussed before, but I would think it would be prudent if you added the word "safety" into "The board, in carrying out its responsibilities under this or any other act ... shall be guided by the following objectives:

"1. To protect the interests of consumers with respect to prices and the adequacy, reliability and quality of electricity service."

You just want to add the word "safety" there. It would be a friendly amendment.

Schedule B is not addressed in the first amendment. It's only schedule A. I don't know; perhaps it's just an amendment drafting error.

The Chair: Further discussion? All in favour of the amendment? Opposed? It's lost.

Mrs Cansfield, please.

Mrs Cansfield: I move that section 1 of the Ontario Energy Board Act, 1998, as set out in section 1 of schedule B of the bill, be amended by adding the following subsection:

"Facilitation of integrated power system plans

"(2) In exercising its powers and performing its duties under this or any other act in relation to electricity, the board shall facilitate the implementation of all integrated power system plans approved under the Electricity Act, 1998."

The Chair: Discussion?

Mr O'Toole: If I may, I understand the need to integrate a plan and the rest of it, but the Ontario Energy Board is supposed to have a very autonomous position in terms of public protection and access to renewing not just rates but even the mandate, technically. It might seem in the public interest that this doesn't quite go far enough. It mandates that the board shall facilitate the integration of the power system plan. That means the government's really telling the Ontario Energy Board what to do, at the end of the day. So I can't support this government motion. There's supposed to be a certain amount of autonomy with the Ontario Energy Board, as we would

have in any quasi-judicial function, whether it's the Ontario Municipal Board or other quasi-judicial tribunals, whatever.

1430

Ms Wynne: I just want to flag this amendment for the folks who came and spoke to us and had a concern about conservation being central to everything we do in the sector and the new bodies that are being set up and the new system.

This amendment actually embeds conservation in the actions of the OEB, because it closes the loop between what we've done in the Electricity Act and what the OEB is to do. The plan comes forward based on the directives, it's submitted to the OEB, and embedded in the plan are the conservation directives. So this is an important amendment, and it certainly addresses the concern that was expressed. I know we all heard the concern that conservation be part of everything we do. This amendment addresses that.

Mr O'Toole: I would just wonder, if the Ontario Energy Board is going to be—what is the implementation if these 800,000 smart or dumb meters are going to be forced on the people of Ontario? At what cost, who pays for it, and can I appeal to the Ontario Energy Board saying, "I don't want one of those at this generation of the technology, a voltmeter or any of the suppliers"? I'm not sure exactly what's happening with the smart meters, but is the Ontario Energy Board able to comment on the rollout of the smart meter plan of the Liberal Party or is the consumer just going to have another \$400 to \$800 bill whacked on them?

Mrs Cansfield: I'd be more than delighted to chat with you after this session. This amendment deals with closing the loop on an integrated power plan; it doesn't speak to smart metering.

Mr O'Toole: Ms Wynne's comment provoked my discussion. Implied or implicit in all of this is this conservation culture strategy, blah, blah, blah. The Ontario Energy Board has to be reviewing rates. Ultimately it's its main function. In those rates there's a fee set that we've talked about, which I'm opposed to, which is just new taxes or new rates. They won't be called rates; it will be quoted as something else, but it will be rates ultimately. Now we're going to have this integrated power system, part of which will be this culture of conservation. How are you going to do that? You're going to do that through the smart meters which give the consumer some ability to respond to off-peak and on-peak costs. The consumer isn't really getting any access here at all except that they're going to pay. Really, in here, whether Ms Wynne or you believe it, all of that's going to show up in the price.

My question was very simple: Is the Ontario Energy Board or any advocacy group going to be able to comment on the validity of the smart metering system? Because there's a lot of literature to say it's not very smart.

Mrs Cansfield: This really doesn't have anything to do with this amendment per se. I would be happy to have a discussion with you, if time permits, on the whole

concept of smart metering. In fact, there is significant literature that says it does work. So we have a difference of opinion, but I think we should stick to the amendment and not get off on another tack.

The Chair: Any further discussion? All in favour of the amendment? Opposed? It's carried.

Shall schedule B, section 1, as amended, carry? Carried.

We now have a new section. Schedule B, section 1.1.

Mrs Cansfield: I move that schedule B to the bill be amended by adding the following section:

"1.1 Section 2 of the act, as amended by the Statutes of Ontario, 2002, chapter 23, section 4 and 2003, chapter 3, section 3, is amended by adding the following paragraph:

"5.1 To facilitate the maintenance of a financially viable gas industry for the transmission, distribution and storage of gas."

The Chair: Discussion? All in favour of the amendment? Opposed? It's carried.

Shall schedule B, section 2, as amended, carry? Opposed?

Mrs Cansfield, number 78. I'm sorry.

Mrs Cansfield: I move that section 4.3.1 of the Ontario Energy Board Act, 1998, as set out in section 2 of schedule B to the bill, be amended by adding the following subsection:

"Appointment

"(1.1) The board's management committee shall appoint the members of the Market Surveillance Panel."

The Chair: Discussion?

Mr O'Toole: Just a question. Subsection (2), with respect to conflicts on this Market Surveillance Panel—this section just says the board can appoint it. Does the application of any conflict still apply?

Mrs Cansfield: I'm sorry?

Mr O'Toole: If you read subsection (2), the membership of the Market Surveillance Panel speaks to material interest or market participants or agents of. You went to some pains before to exempt yourself from these restrictions, perceived or real conflicts. I'm not sure—I haven't looked ahead at the amendments, but—do you follow me?

Mrs Cansfield: I believe so.

Mr O'Toole: It just means the board is appointing the Market Surveillance Panel.

Mrs Cansfield: That's correct.

Mr O'Toole: I understand that. So I expect that the membership will still have to comply with real or perceived conflict rules as they exist here. Is that right?

Mrs Cansfield: That's correct.

The Chair: Any further discussion? I would now put the question. All in favour of the amendment? Opposed? It's carried.

Shall schedule B, section 2, as amended, carry? All in favour? Opposed? It's carried.

Mrs Cansfield: I move that section 3 of schedule B to the bill be struck out and the following substituted:

"3. Section 4.4 of the act, as enacted by the Statutes of Ontario, 2003, chapter 3, section 9, is repealed and the following substituted:

"Stakeholder input

"4.4 The board shall establish one or more processes by which consumers, distributors, generators, transmitters and other persons who have an interest in the electricity industry may provide advice and recommendations for consideration by the board."

The Chair: Discussion?

Mrs Cansfield: No.

The Chair: I would now put the question. All in favour of the amendment? Opposed? It's carried.

Shall schedule B, section 3, as amended, carry? All in favour? Opposed? Carried.

We now have a new section.

Mrs Cansfield: We do.

I move that schedule B to the bill be amended by adding the following section:

"3.1 Subsection 4.10(1) of the act, as enacted by the Statutes of Ontario, 2003, chapter 3, section 11, is amended by adding the following clause:

"(f) governing the composition and functions of the Market Surveillance Panel and the appointment, removal and remuneration of members of the Market Surveillance Panel."

The Chair: Discussion? I would now put the question. All in favour? Opposed? Carried.

Shall section 3.1 carry? All in favour? Opposed? Carried.

Mrs Cansfield: I move that subsection 11(1) of the Ontario Energy Board Act, 1998, as set out in section 4 of schedule B to the bill, be struck out and the following substituted:

"Liability

"(1) No action or other civil proceedings shall be commenced against any of the following persons for any act done in good faith in the exercise or performance or the intended exercise or performance of a power or duty under any act or regulation or for any neglect or default in the exercise or performance in good faith of such a power or duty:

"1. A member of the board.

"2. An officer, employee or agent of the board.

"3. A member of the Market Surveillance Panel.

"4. An officer, employee or agent of the IESO acting on behalf of the Market Surveillance Panel."

The Chair: Discussion? I'll now put the question. All in favour of the amendment? Opposed? It's carried.

1440

Mrs Cansfield: I move that schedule B to the bill be amended by adding the following section:

"4.1 The act is amended by adding the following section:

"Directives re: commodity risk

"28.2 The minister may issue, and the board shall implement, directives approved by the Lieutenant Governor in Council directing the board to take such steps or develop such processes as may be required by the

directive to address risks associated with customer billing and payment cycles in respect of the cost of electricity at the retail and at the wholesale levels and risks associated with non-payment or default by a consumer or retailer.”

The Chair: Discussion? I will now put the question. All in favour of the amendment? Opposed? It's carried.

Shall schedule B, section 4, as amended, carry? All in favour? Opposed? It's carried.

Mr Hampton, please.

Mr Hampton: This is amendment 83.

I move that section 5 of schedule B to the bill be struck out and the following substituted:

“5. Subsection 30(1) of the act, as re-enacted by the Statutes of Ontario, 2003, chapter 3, section 25, is repealed and the following substituted:

“Costs

“(1) The board may order a person to pay all or part of another person's costs in a proceeding or process.

“Costs prior to commencement

“(1.1) The board may award reasonable costs to a person prior to the commencement of a proceeding or process.

“Restrictions

“(1.2) Awards under subsection (1.1) may only be made in relation to matters,

“(a) that affect a significant segment of the public; and

“(b) that, in the opinion of the board, affect the public interest and not just private interests.

“Matters to be considered

“(1.3) In deciding whether to make an award under subsection (1.1) the board shall consider whether,

“(a) the person represents a clearly ascertainable interest that should be represented in a proceeding or process;

“(b) separate and adequate representation of the interest would assist the board and contribute substantially to the proceeding or process;

“(c) the person does not have sufficient financial resources to enable it to adequately represent the interest;

“(d) the person has made reasonable efforts to raise funding from other sources;

“(e) the person has an established record of concern for and commitment to the interest;

“(f) the person has attempted to bring related interests of which it was aware into an umbrella group to represent the related interests at the hearing;

“(g) the person has a clear proposal for its use of any funds which might be awarded; and

“(h) the person has appropriate financial controls to ensure that any funds are spent for the purposes for which they were awarded.”

If I may speak to this, this is really dealing with the issue of intervenor funding. As I have said before, the decisions that are going to be made here are going to affect people greatly; whether they can pay their hydro bill; whether in fact their business, going into the future, is sustainable; environmental issues as to whether the proposal put forward agrees with the stated purposes of the act or is in line with the stated purposes of the act in

terms of energy conservation, energy efficiency, clean energy sources or alternative energy sources.

What this is really setting out is that there has to be a mechanism before the board so that public interest groups can apply for intervenor funding and can have their costs covered. The Ontario Energy Board should not just be a place where energy titans go, all of them having huge budgets, and simply have their issues decided. There are public interest issues to be decided. There are environmental interests to be decided. There are low-income interests to be decided. There are general consumer interests to be decided. People who apply to the board to represent those interests and meet these criteria should have their costs covered.

Mrs Cansfield: The board currently has a discussion paper that is out dealing with the cost award issue. Certainly, we are proposing our own amendment which would deal with the issue that “The board may order a person to pay all or part of a person's costs of participating in a proceeding before the board, a notice and comment process under section 45 or 70.2 or any other consultation process initiated by the board.” So we don't feel this amendment is required.

Mr McMeekin: Notwithstanding that—and I agree with that—we would want to make sure that the minister was aware of the specific suggestions. I think there's some useful stuff here, although I did notice that Mr Hampton left out any reference to the cost of this being reflected in some report so that those reading it would know what the impact on energy cost was. But he's consistently raised that with other issues.

Interjection.

The Chair: Mr McMeekin, you have the floor. Continue.

Mr McMeekin: I'm not finding fault, I'm just pointing it out in passing. But I think there's some other good stuff here that should be referred.

The Chair: Further discussion?

Mr O'Toole: You say there's a discussion paper on intervenor funding?

Mrs Cansfield: The OEB currently has a discussion paper out on the cost awards.

Mr O'Toole: And it does consider intervenor funding; that is, entitling and paying for providing resources to—

Mrs Cansfield: Yes, it's covering the whole issue.

Mr O'Toole: Is there a deadline for submission on that discussion paper?

Mrs Cansfield: Unfortunately, I don't know, but I'll find out for you.

Mr O'Toole: Yes. Actually, it's a very controversial area. I know there are those on the conservation and green energy side who will expect that and they will hold your feet to the fire because there's no evidence: the anti-nuclear, the anti-coal, the anti-energy, the “freeze-to-death-and-starve-in-the-dark” group.

Mrs Cansfield: Thank you, Mr O'Toole. I'll just state that we will get the discussion paper submission deadline for you, and actually for all members.

Mr O'Toole: I wouldn't mind having a copy. It's probably on the Web site, I'm sure.

The Chair: We'll make sure you get it, Mr O'Toole.

Any further discussion? All in favour of the amendment? Opposed? It's lost.

Mrs Cansfield, please.

Mrs Cansfield: I move that subsection 30(1) of the Ontario Energy Board Act, 1998, as set out in section 5 of schedule B to the bill, be struck out and the following substituted:

"Costs

"(1) The board may order a person to pay all or part of a person's costs of participating in a proceeding before the board, a notice and comment process under section 45 or 70.2 or any other consultation process initiated by the board."

The Chair: Discussion? I will now put the question. All in favour of the amendment? Opposed? It's carried.

Shall schedule B, section 5, as amended, carry? All in favour? Opposed? It's carried.

Since there are no amendments for schedule B, sections 6 and 7, shall they carry? All in favour? Opposed? They're carried.

Mrs Cansfield: I move that section 8 of schedule B to the bill be amended by adding the following subsection:

"(2.1) Subsection 70(2) of the act, as amended by the Statutes of Ontario, 2003, chapter 3, section 47, is amended by adding the following clause:

"(m) requiring licensees, where a directive has been issued under section 28.2, to implement such steps or such processes as the board or the directive requires in order to address risks associated with customer billing and payment cycles in respect of the cost of electricity at the retail and at the wholesale levels and risks associated with non-payment or default by a consumer or retailer."

The Chair: Discussion? I will now put the question. All in favour of the amendment? Opposed? It's carried.

Shall schedule B, section 8, as amended, carry? All in favour? Opposed? It's carried.

Mrs Cansfield: I move that clause 71(2)(c) of the Ontario Energy Board Act, 1998, as set out in section 9 of schedule B to the bill, be amended by striking out "use" and substituting "promotion."

1450

The Chair: Discussion? Shall the amendment carry? Opposed? It's carried.

Shall schedule B, section 9, as amended, carry? All in favour? Opposed? It's carried.

Mr Hampton, we expect that information from community and social services within about 10 minutes or so.

There are no amendments to schedule B, section 10. Shall that carry? Opposed? It's carried.

Mrs Cansfield, please.

Mrs Cansfield: I move that subsection 78(3.1) of the Ontario Energy Board Act, 1998, as set out in subsection 11(1) of schedule B to the bill, be struck out and the following substituted:

"Annual rate plan and separate rates for situations prescribed by regulation

"(3.1) The board shall, in accordance with rules prescribed by the regulations, approve or fix separate rates for the retailing of electricity,

"(a) to such different classes of consumers as may be prescribed by the regulations; and

"(b) for such different situations as may be prescribed by the regulations.

"Same

"(3.1.1) The first rates approved or fixed by the board under subsection (3.1) shall remain in effect for not less than twelve months and the board shall approve or fix separate rates under subsection (3.1) after that time for periods of not more than twelve months each or for such shorter time periods as the minister may direct."

The Chair: Discussion?

Mr O'Toole: This comes back to Mr Hampton's badgering on the earlier point of having the price certainty issue for people budgeting on an annual basis. The public sector is a good example. It says for 12 months, and the subtlety of this is that at the very end it says, "or for such shorter time periods as the minister may direct." Oops, we have a problem here. He can, all of a sudden, jack up the rates. I'm not surprised, because you did that right after the election. I'm not supporting this but I'm not surprised by it either. It's just more taxes by any other name.

The Chair: Further discussion?

Mrs Cansfield: If I may, it has nothing to do with taxes. It has the opportunity for the OEB to set electricity plans on more than just an annual basis. You can sneak that word in wherever you like, but there are some places where it's just not appropriate.

The Chair: I will now put the question. All in favour of the amendment? Opposed? It's carried.

Shall schedule B, section 11, as amended, carry? All in favour? Opposed? It's carried.

Since there are no amendments to schedule B, sections 12, 13, 14, 15, 16, 17, 18, 19 and 20, I would move that they carry. All in favour? Opposed? Carried.

Mrs Cansfield.

Mrs Cansfield: I move that subsection 79.11(1) of the Ontario Energy Board Act, 1998, as set out in section 21 of schedule B to the bill, be amended by striking out "subsections 88(2.1) and (2.2)" and substituting "subsections 88(2.1) to (2.3)."

The Chair: Discussion? I now put the question. All in favour of the amendment? Carried.

Shall schedule B, section 21, as amended, carry? Opposed? It's carried.

Shall schedule B, section 22, carry? All in favour? Opposed? Carried.

We now have a new section, 22.1.

Mrs Cansfield: I move that schedule B to the bill be amended by adding the following section:

"22.1 The act is amended by adding the following section:

"Form of invoice for prescribed classes of consumers

"79.17(1) The minister may require that invoices issued in respect of electricity to consumers who are

members of a class of consumers prescribed by the regulations be in a form approved by the minister.

"Different forms

"(2) The minister may approve different forms of invoice and may specify the circumstances in which each form shall be used.

"Errors

"(3) No defect, error or omission in the form or substance of an invoice issued in respect of electricity to a consumer referred to in subsection (1) invalidates any proceeding for the recovery of the amount payable under the invoice."

The Chair: Discussion?

Mr O'Toole: I guess the controversial issue is the invoice, for two reasons: first, for the consumer and transparency; and second, for the LDCs to modify their software to accommodate time of rate and all these other things and how they're going to do that. Is there going to be any money to help the LDCs develop the software, and where's that money coming from, or is there going to be a uniform software package provided for LDCs? This is a big issue at the local level: to be able to respond to these price-takers and price-setters. Has there been any discussion on that? We tried to streamline the invoices—arguably, not successfully. Is there anything going on with the standard invoice?

Mrs Cansfield: A pilot project has been going on for some time in Hamilton, I believe, where they've looked at finding ways and means to simplify the bill and make it less onerous.

Certainly, throughout the hearings we heard time and again—and as I've been speaking with the LDCs myself—that this is one of the issues. There are two, actually. One is finding a way to simplify the bill so that it makes some sense, and the other is dealing with the collection of data. That has been taken under advisement by the OEB in their discussions with the local distribution companies, because they recognize it is a challenge.

The Chair: By the way, I think the committee heard from Mr Charles Caccia in Ottawa about a simplified form that's being used by Hydro-Québec. I think he gave us an example of it when he made his presentation. It may be in the package somewhere.

Mr O'Toole: I wish I had it, because it's a big issue locally.

The Chair: Any further discussion? Shall new section 22.1 of schedule B carry? All in favour? Opposed? It's carried.

Mr Clerk, maybe I'll just get you to distribute this. It's information from community and social services in regard to Mr Hampton's inquiry.

Mr McMeekin: For the record, the previous government did have a working group looking at invoice forms. There was actually some profile to that. The election intervened, and I don't think that ever saw the light of day. There may be some helpful material there, which I'm sure the energy folks have. As we enshrine the minister's responsibility to continue to look for simpli-

fied billing forms, just that footnote: There may be some useful stuff there.

The Chair: Thanks, Mr McMeekin. We'll just wait a moment so that members of the committee can read this information.

Mrs Cansfield: Could you remind us what page the motion is on that we have to refer back to?

The Chair: It's on—

Ms Wynne: Page 58?

The Chair: Yes. It was the new section introduced by Mr Hampton.

Mr Hampton: This is consistent with what the people of the First Nations have been telling me. They're having their power cut off. They ask, "Is there any assistance for me to pay my hydro bill?" They're essentially told, "Well, you should go to the Ontario Works office and beg them for discretion."

Nothing is in place here. In fact, what it says is that we're at the stage where a proposal is supposed to be submitted to community and social services. We're already in mid-September, and I'm quite sure nothing has happened.

What's going on in Ontario right now is that if you live off a First Nation, you have access to an emergency energy fund; if you live on a First Nation, all you can do is go to Ontario Works and beg. That's what's happening right now.

1500

This doesn't say that anything else is happening. There's a proposal. There are no details. It looks as if the proposal amounts to taking the very limited amount of money that is there right now for an emergency energy fund and just spreading that further. That doesn't solve the problem. In fact, what it probably means is what was, at best, a meagre fund to begin with now becomes even more stretched.

The Chair: We'll go back. It's on page 58.

Mrs Cansfield: I read the word "additional" in there. Maybe you don't.

Interjection.

Mrs Cansfield: Right. The challenge we have is, first of all, we're dealing with Bill 100 on electricity, and certainly this is with the Ministry of Community and Social Services.

Mr Hampton: An additional \$50,000?

Mrs Cansfield: It says "by investing an additional \$50,000 to be managed...." So it's additional. You indicated that it was part of the other. I'm just stating that it's additional.

Also, the Ministry of Community and Social Services has indicated they will give a far more in-depth briefing or analysis. They just didn't have the time to do it in the short period of time.

Again, I reiterate that there are other programs. We are trying to address this issue. It's not being ignored. We've said it over and over again. There are other ministries that are involved and we cannot support this amendment as it stands. It has been addressed. Mr Hampton doesn't like how it's been addressed. That's unfortunate for Mr

Hampton, but we are doing what we believe is the best we can do at this time.

Mr Hampton: I'll wait to see how satisfactory all those people who live on reserve who are having their power cut off feel with \$50,000 spread across a couple hundred First Nations across the province. This isn't a solution. From a First Nations' perspective, this is more like an insult. Fifty thousand dollars? Give me a break.

The Chair: I will now put the question.

Mr O'Toole: We're voting on Howard's amendment, right?

The Chair: Yes.

Mr McMeekin: My gut tells me that Mr Hampton's making a good point about the figure here. While I can appreciate the fact this bill isn't specifically designed to deal with this, I would ask, for the record, that this be revisited by the ministry which has carriage of it, as well as the minister, to see if the \$50,000 is adequate. I suspect, as he has suggested, it's inadequate.

The Chair: Further discussion? I will now put the question.

Mr O'Toole: Can I have a recorded vote?

The Chair: All in favour of the amendment?

Ayes

Hampton, O'Toole.

Nays

Cansfield, Jeffrey, Ramal, Wynne.

The Chair: Is Mr McMeekin an abstention? It will be duly noted.

Shall schedule A, section 60, as amended, carry? All in favour? Opposed? It's carried.

Ms Wynne, I think you're up again.

Mrs Cansfield: The other Ms Wynne?

The Chair: I'm sorry. Mrs Cansfield, please.

Mrs Cansfield: Chair, I think the clerk would like to make a comment first.

The Chair: We're just a little ahead of ourselves. I just want to go back to schedule A for a second. The whole schedule A, as amended, does it carry? All in favour? Opposed? It's carried.

I would then ask, schedule B, sections 23 and 24, since there are no amendments, shall they carry? Opposed? They both carry.

Mrs Cansfield: If the clerk could make a comment first, please.

Ms Catherine Macnaughton: Legislative counsel.

Mrs Cansfield: Legislative counsel, I'm sorry.

Ms Macnaughton: There's a slight numbering kerfuffle in the next motion. It refers to adding two clauses, (z.2.1) and (z.3.1). Those should read "(z.11)" and "(z.12)"

Mrs Cansfield: Thank you.

I move that section 25 of schedule B to the bill be amended by adding the following subsection:

"(10.1) Subsection 88(1) of the act, as amended by the Statutes of Ontario, 2002, chapter 1, schedule B, section 10, 2002, chapter 23, section 4, 2003, chapter 3, section 56 and 2003, chapter 8, section 11, is amended by adding the following clauses:

"(z.11) prescribing classes of consumers for the purposes of section 79.17 and information that must or may be included on invoices issued in respect of electricity to consumers in one or more of the prescribed classes;

"(z.12) respecting the manner in which invoices issued in respect of electricity to consumers who are members of a class of consumers prescribed for the purposes of section 79.17 are to be provided to those consumers."

The Chair: Discussion? I will now put the question. All in favour of the amendment? Opposed? It's carried.

Shall schedule B, section 25, as amended, carry? All in favour? Opposed? It's carried.

There are no amendments to schedule B, section 26. Shall that carry? All in favour? Opposed? It's carried.

Mrs Cansfield, there's a new section, 26.1.

Mrs Cansfield: I move that schedule B to the bill be amended by adding the following section:

"26.1 The act is amended by adding the following section:

"Reaffirmation of existing contracts

"Application

"88.9.1 (1) This section applies in respect of contracts for electricity between retailers and residential consumers that are entered into or renewed on or after June 15, 2004, and before the day prescribed by the regulations.

"Contract ceases to have effect if not reaffirmed

"(2) A contract for electricity to which this section applies ceases to have effect on a day determined under the regulations unless the consumer under the contract reaffirms the contract in accordance with the regulations.

"Recovery of overpayments

"(3) A consumer may recover an amount paid under a contract that ceases to have effect under subsection (2) if,

"(a) the amount was paid before the contract ceased to have effect; and

"(b) the amount was paid in respect of electricity that was to have been supplied after the contract ceased to have effect.

"No cause of action

"(4) No cause of action arises as a result of a contract ceasing to have effect under subsection (2).

"Regulations

"(5) The Lieutenant Governor in Council may make regulations,

"(a) prescribing a date for the purposes of subsection (1);

"(b) governing reaffirmations of contracts for the purposes of this section;

"(c) prescribing rules for determining the day as of which a contract ceases to have effect if it is not reaffirmed."

The Chair: Discussion? I'll now put the question. All in favour of this section? Opposed? It's carried.

Shall the new section, 26.1, carry? All in favour? Opposed? It's carried.

Since there are no amendments to schedule B, sections 27, 28 and 29, shall they carry? All in favour? Opposed? Carried.

Finally, shall schedule B, as amended, carry? All in favour? Opposed? Carried.

There are no amendments to schedule C, sections 1, 2 and 3. Shall they carry? Opposed? Carried.

1510

Shall section 3 carry? All in favour? Carried.

We are now at the end of the bill.

Shall section 1, as amended, carry? All in favour? Opposed? It's carried.

Shall section 2 of the bill carry? All in favour? Opposed? It's carried.

Shall section 3 of the bill carry? All in favour? Opposed? It's carried.

Shall Bill 100, the Electricity Restructuring Act, 2004, carry? All in favour? Opposed? It's carried.

Shall Bill 100, as amended, carry? All in favour? Opposed? Carried.

Shall I report the bill, as amended, to the House? All in favour? Opposed? Carried.

Mr O'Toole: I just wanted to acknowledge, out of courtesy, the work of the staff on a very technical bill. There are parts of this bill I agree with and parts I have difficulty with because it's technical, I suppose. We wish you luck in trying to achieve your objectives because we all live in Ontario.

I'd like to also put on the record that I've received hundreds of faxes—most of you probably received them—from people who are quite upset with Bill 100. Most of them are anti-nuclear, anti-coal, but I think out of courtesy it's acknowledged that we're all listed here, Ms Wynne, Ms Cansfield and the rest of us, as well as Howard Hampton. They are all listed here, so it's an acknowledgement of that.

I would wonder what the next step is. This is first reading. It's an amended bill. It goes back to the House. You spoke about a great degree of urgency on this. You never adopted one amendment by the opposition, not one. Not a single amendment was even really listened to. I believe that Mr McMeekin did vote for a couple of them, but that's maybe because he's a bit of a renegade, or "advocate" is a better word. So what's the plan here? Are you going to ram this thing through, time allocate it and all that stuff? It sounds like you haven't got time to review any of the appointments. There is no review by the agencies, boards or commissions; there is nothing. The minister is just on a breakaway here. What is the timeline? You're the parliamentary assistant to the minister, and I think the parliamentary assistant to the Premier is here too. No, she's not.

Mrs Cansfield: The House returns on October 12, and as you know it will be up to the determination of the House leader how bills are back in the House.

Although it may be that we did not accept the amendments from either of the opposition parties, I can assure

you that having met with hundreds of stakeholders—and I mean hundreds; you can look at my schedule, along with the minister's chief of staff—we have listened to and incorporated significant amendments from those stakeholders. They come from a variety of customers, small business, generators and suppliers. It may be that your amendments didn't see the light of day but I can assure that you many others did. In fact, we did go out and purposely seek folks to find out exactly how they felt about the bill. You heard, as we did, that the vast majority of people were pleased with the bill. If they had the options in terms of offering some changes, we accepted those, many of whom we met with after, in addition to, the public sessions. So I can assure you this bill reflects many, many significant changes that came from a variety of stakeholders across this province.

Mr McMeekin: I'd build on that briefly by indicating the obvious: Given the concern to get this sector healthy and vibrant and moving forward, we anticipate, when we bring it back to the House, that there'll be a lively debate. But there'll be co-operation and we'll move on with this. Obviously we'll deal with whatever unfolds as it unfolds, but we're fully anticipating that there'll be a shared sense of purpose on this and that we'll be moving ahead quickly with this important piece of legislation.

That having been said, I want to just reference that on several occasions—I can think of at least six off the top of my head without even referencing it back—there were significant suggestions made that frankly informed us. While there were some technical reasons perhaps for not including them in the bill, several of us did ask on several occasions that suggestions made, information shared, recommendations, ideas be referenced and referred back. I'm sure Mrs Cansfield has made some notes on those helpful points.

Finally, just by way of personal reflection, winding up this particular task is, for me at least, a little bit like leaving summer camp. I feel I've grown close to a lot of people here, including a lot of the presenters. I want to echo some of the generic comments of Mr O'Toole with respect to the folks, right from Mr Arnott, the clerk and his staff to the legal counsel, Anne Marzalik, who did some wonderful research over there, who answered a lot of questions that maybe she wished hadn't been asked but she went the second mile to do that, to all the presenters. I think there were 147 or so of them. We sojourned up to Ottawa, down to Windsor, over to Orono; we've gone to the gas plant, Darlington. We're heading, hopefully, at some point to the IMO office. So we've done a lot of that and it's been a really good learning experience for me, at least, and I suspect—I see some heads nodding—for some others as well. It's been very helpful.

Bringing all the talents together is a good way to do business as a government, and pooling them and hopefully achieving together what maybe we can't do apart. I want to say all that, and I guess I want to offer a particular vote of thanks to the ministry staff and Mrs Cansfield, the parliamentary assistant, and Ms Wynne, in her absence the other day, who led us so capably, at least on the government side, through the amendments. I want

to compliment, obviously, those from the opposition who made a significant contribution.

In closing I want to particularly thank you, sir. I know you had a lot of things on your mind this summer, with the horrendous experience you had down in your riding. You somehow found a way to balance that off and make sure we were—

Mr O'Toole: He wasn't here half the time.

Mr McMeekin: But he made sure he was covered off. Any information I needed he was able to provide anyway. So we appreciate the fact that you're here and that you stayed in touch even though you had pressing issues there.

All in all it's been a positive experience. We hope the people of Ontario, who ultimately are the beneficiaries of what we achieve together here, turn out to be as pleased with this as I hope some of us on this side of the House are.

The Chair: Mr McMeekin, thank you for your very kind words. On behalf of myself, the mayor and members of county council in the Peterborough community, I want to say thank you for all the inquiries I got from my friends on all sides of the House after the flood of July 15 as to the situation in Peterborough. It goes to show that when tragedy hits, when a major crisis hits a community, we're all together and there is no partisanship. Everybody comes together in the best interests of our community. I do want to thank you for the inquiries I had from everybody.

Ms Wynne: I want to echo many of Mr McMeekin's sentiments. You've offered them very eloquently. Thank you.

I just want to make a couple of points. In terms of the amendments the government put forward, I want to reinforce what Mrs Cansfield said about the sentiments and ideas that were brought forward by stakeholders being incorporated into our amendments. I think it's really important that we make it clear that that's exactly what did happen in many of our amendments.

The second issue is that many of the concerns that were brought forward by stakeholders were very important to the electricity sector, and we're going to have to deal with them, but they couldn't be addressed in this bill, which is enabling legislation to set up a structure. But having had this discussion, it puts issues on the table that we're going to have to struggle with and that the structures that are being set up are going to have to grapple with. So it's been an incredibly important exercise from that perspective in terms of informing the public discourse on the electricity sector going forward, and that's important. It doesn't matter what party you're with; that's an important issue going forward.

I want to just add the comment that the stakeholders have raised issues that—I've got a stack of paper that has come out of this process. I'll be holding on to that, because those issues are going to be dealt with for many years to come. Thank you very much.

Mrs Cansfield: Thank you, Chair. Along with my colleagues, I wanted to say thank you to you as well, and to the staff who have been so helpful to some of us who

are new at this as we go through the process, and also to the ministry staff for having done such a superb job in putting this work together. It's difficult, it's onerous, and I know both gentlemen across the way have been through this process before, so they probably have a great appreciation of the challenges the staff in fact do face. Admirably done, everyone over at the Ministry of Energy. Please convey that back.

I wanted to restate that Bill 100 is enabling legislation, and a lot of things happen in regulation. The commitment has been made by the minister to continue to listen to the stakeholders themselves around the issues of the regulations as they come forward. That's why you're finding that the regulations are coming out a few at a time, as we continue with those stakeholder discussions. This is particularly important. As the minister says, it's often a work in progress.

What we hope to have at the end of the day is an energy strategy for this province that stands the test of time, regardless of who is in the government. In fact, we have an obligation and we owe that to the people of Ontario, so that they can have the stable, reliable prices in energy they need in order to live in this province. That's our objective.

I also wanted to say to the two gentlemen—and we were with Rosario just a couple of days—that I don't enjoy the barbs, obviously, but I enjoy the discussion, because I get an opportunity to learn. The barbs you can keep, the bad manners you can keep. The barbs I don't like, but the information I do like. You have good information to share with us and that's particularly important, because energy is owned by all of us, not just by some of us.

The Chair: Mr Hampton?

Mr Hampton: I think it's all been said.

The Chair: Mr O'Toole?

Mr O'Toole: Not to prolong this, but I'm very interested in this file myself, for sure—whether or not I'm the critic, that doesn't really matter—mainly because it's important to my riding. I have sat on every committee, even at the regional level when I was a regional councillor, and I've pursued it here. I have a lot of respect for people like Sean Conway and others who I know have been in the role of energy critic on the other side when we were government.

I would only say that I would hope in an ongoing sense—this whole bill is just a series of significant regulations, big time. There are more questions than answers here. This is a framework. It's empowering, enabling legislation. I'm wondering what the format will be, outside of the House and question period, of trying to probe and find out the implementation of some of the regulations. I know they get gazetted and it becomes a whole bunch of minutiae. You think this is technical; wait until you start reading regulations. I can't, without a lot of support, and we don't have that because you have all the money now. The NDP now has more money per person than we do. And I'm not whining, I'm just saying.

There are two things I've dealt with this summer. One is the Ontario Securities Commission and the regulations

within the OSC. I'm fascinated by that whole area. I think they should set up a select committee, because that's so important. And here, energy transcends the environment, natural resources, the economy, economic development, the whole deal. I think there should be a legislative format outside of question period—where we get into some of the partisan need to earn headlines—where we can learn from each other and understand the direction and even be helpful. Howard has a book out on it. We don't have one yet but we're thinking of it, right after John Tory gets in.

Interjection: We've already had this in the press.

Mr O'Toole: I really think it's so important. Fundamentally, it's an economic policy area. There are a lot of key stakeholders in the economy and it would be important for us to have a format that's not so confrontational as question period. Ms Cansfield, I bring that up to you as an idea. We had two select committees on energy as a

government. Whether we did it well or not, it's so complicated it's hard to execute the minister's wishes. It may be a good way of vetting in a public forum, outside of the big question period deal. I bring that up as an idea, because I learned tremendously. We heard from the top experts. That's really what we're able to do, understand and integrate, and you can articulate what the plan is and maybe the people will pick it up.

The Chair: I just want to thank the two clerks I've had the opportunity to deal with, Anne Stokes, and you, Mr Arnott, the Clerk's staff, members of the committee—tremendous co-operation—and from the minister's staff in the ministry. Thank you for your valuable assistance to us through our deliberations.

At this time, the standing committee on social policy stands adjourned.

The committee adjourned at 1526.

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Mardi 2 novembre 2004

Standing committee on social policy

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ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
SOCIAL POLICYCOMITÉ PERMANENT DE
LA POLITIQUE SOCIALE

Tuesday 2 November 2004

Mardi 2 novembre 2004

The committee met at 1539 in committee room 1.

The Chair (Mr Jeff Leal): I'd like to bring this meeting of the standing committee on social policy to order.

SUBCOMMITTEE REPORT

The Chair: The first item of business is a report from the subcommittee. Mr McMeekin, please.

Mr Ted McMeekin (Ancaster-Dundas-Flamborough-Aldershot): The subcommittee met yesterday and recommends that we consider the method of proceeding on a standing order 124 notice of motion. We recommend as follows:

That we divide the 30-minute debate time, which is currently allocated under standing order 124, so as to have the Progressive Conservative caucus, the framers of the motion, speak for 15 minutes, the New Democratic Party caucus for 10 minutes and the government caucus for five minutes.

We were unanimous in making that recommendation as your subcommittee, Mr Chair. I'd be pleased to move that.

The Chair: Mr Baird, please.

Mr John R. Baird (Nepean-Carleton): We in the official opposition would certainly be more than pleased to extend the amount of time, if there was unanimous consent, to give other members, if they wanted, more than five minutes to debate this important public policy issue.

The Chair: We had a very thorough discussion in the subcommittee yesterday, Mr Baird. Your fine representative, Mr McMeekin, and Mr Bisson of the New Democratic Party agreed on the framework.

Interjection: Mr Chudleigh.

The Chair: Mr Chudleigh, yes. Mr Chudleigh very ably represented Mr Bisson.

Anything further? All in favour of the subcommittee report? Carried.

Mr Arnott, then we'll start proceedings with you.

HEALTH CARE SECTOR AGENCIES

Mr Ted Arnott (Waterloo-Wellington): I move the following:

We propose that this committee study and report on the matters relating to the mandate, management, organization and operation of the ministries and offices which

were assigned to the committee, specifically the relationship between the Ministry of Health and the departure of Cyndy DeGiusti, vice-president at the Hospital for Sick Children, as well as Dr Koka, chief of staff for the North-east Mental Health Centre, with regard to the environment of fear and intimidation that exists among many health care sector agencies and employees.

I certainly want to express support for this particular resolution. I believe it's in the public interest that we, as a committee, proceed on this inquiry into what happened. I think the light of day needs to be shed on this issue.

Unfortunately I'm not able to stay for the bulk of the discussion, because in my capacity as First Deputy Chair of the committee of the whole House it's my turn this afternoon to preside over the House. But I know that our health critic, Mr Baird, is prepared to speak to this issue. I would encourage all members of the committee to give consideration to supporting it so that this committee can show its effectiveness by studying this issue and reporting back to the House.

Mr Baird: Thank you, Mr Arnott. The Ministry of Health is a ministry like no other, not only for the size of its budget—it's a budget of approximately \$30 billion, so it is a public policy issue which enjoys a huge public interest and public support—but also, unlike most other areas within government, it is an area in which every citizen relies on services on a day-to-day basis; not like education, which would obviously be of greater interest to some at different points in their life and not like social services, which would be of particular concern. Health affects everyone virtually every day.

The Ministry of Health is also an organization that's different from other ministries in that the minister himself, or herself, has a tremendous amount of authority over all the agencies which it funds, whether it be hospitals, community mental health centres, the drug formulary, addiction programs and services, palliative care—just a wide range. The Minister of Health can decide, in collaboration in some instances with his cabinet colleagues, how much hospitals get, which and what, whether a capital plan is approved or not approved.

I'll compare that, if I could, just to put it in context, with the Ministry of Education. The Ministry of Education is big; it's important. It's got a \$14-billion to \$16-billion budget. But by and large, it's a policy operation in the funding framework because they don't deliver education. They deliver fairly uniformly between 72 different

school boards, so the Minister of Education, while a very important position under any government, doesn't have the same line item authority to be able to involve himself or herself in a wide range of issues.

Just as an opposition MPP, I was mindful when I first visited with my hospitals following the last general election, and said that first and foremost I'd never wanted to do anything that might hurt that important relationship, not that you just have personally with the minister but with the political administration, because I think it's important for every hospital in all of our ridings to get along and to work constructively with the government under any party. That's something that's important. I certainly volunteered that.

It has been questionable as to how some of these hospital funding frameworks have worked. While notionally, on average, hospitals are supposed to get a 4.3% increase, some hospitals are getting 0.2%. We spoke about one in London in the House today. One hospital in my riding is getting 0.6%. Other hospitals—the Montfort Hospital is getting a 15% budget increase. So you can see the huge authority the minister or the department would have over those individual hospitals.

Whether their capital plans—I fought quite hard to get the capital plan approved for the Queensway Carleton Hospital in the year running up to the election because I didn't want any change in government, change in minister, change in deputy, change in regional director, to have any negative effect on the hospital. That was very important for me. Others, perhaps, weren't gotten to as quickly as they would like and of course still haven't moved, some 12 months into the new administration. There may be valid reasons for that; I make no comment today about that.

Each hospital in the province has been asked to come forward with plans on how they would balance the budget. More than 65 hospitals are having desperately difficult times in balancing the budget because they haven't received even inflation. The health care inflation rate, according to the most recent information by the Ontario Hospital Association, is running at between 7% and 8%. Our own drug costs, provincially, are up 14%, so that would be one driver; energy costs, with the lifting of the hydro cap; let alone wage rates for specialized employees, whether they be in radiation services or whether they be in other specialties, whether it's surgical nursing or what have you.

These reports were submitted on a Friday. The Toronto Star did a rather large piece on the effects, particularly in GTA hospitals, of these reports on reductions. With that, the Hospital for Sick Children here in the city of Toronto—which is not a hospital for residents of Toronto; it's a hospital for all residents of Ontario. It provides a lot of specialized services to children in the north. Even children who require advanced cardiac treatment in my community have to use the hospital. The Toronto Star ran a rather explosive headline about the effects of the plan that they submitted, to live within the government's guidelines, to the Ministry of Health. The

Star took it out of the pile of hospitals and gave it special prominence, partly because the hospital (1) is not one that has traditionally cried wolf, and (2) has a special place in the hearts of certainly residents of Toronto and particularly readers of the Toronto Star.

In an article on the Saturday, the day after the hospital submitted their plan, they had a significant reaction to it. Ms Cyndy DeGiusti, the vice-president at the hospital, was quoted extensively throughout the article. This woman has been with the hospital for some six years, is widely regarded as a champion of children's health issues and children's health services, not just at the Sick Kids hospital but indeed of health policy. She serves a role really as the chief advocate for children at the hospital. Part of that responsibility is to speak out. My understanding is that conversations between the Toronto Star and the chair of the board of the hospital, the following Monday, suggested that there was nothing false, wrong or erroneous in her statements to the paper.

Ms DeGiusti arrived for work, as she is accustomed to, on Monday morning. Within a few short hours she had left the hospital; she had been requested to resign. I don't know whether she is reluctant to come public because of any sort of agreement with respect to severance payments that required her not to speak publicly. She has departed. She has talked to some people in the media and has been in tears. Her staff were in tears the morning that she left.

One has to wonder why this would happen, with no notice to the board of directors, no notice to staff—nothing. Was it the reaction of someone in the bureaucratic level, someone in the political level, to the story? The Minister of Health had requested—basically, required—in this plan, submitted on the Friday, that all hospitals would co-operate with their partners, meaning Big Brother, the Ministry of Health.

This causes us a tremendous amount of concern. There are a number of hospital executives, CEOs, whom I've spoken to off the record who don't want to be put in a position where retribution may be sought, who have talked of an atmosphere of fear and intimidation. It was well publicized in the North Bay newspaper, and confirmed by the mayor of East Ferris, that the Minister of Health threatened to pull approval of the capital plan that was awaiting that hospital. That certainly caused that community some concern.

1550

The minister, to his credit, has been incredibly clear and forthright in saying that neither he nor any member of his political staff or his ministry had any contact with the hospital.

I would like, the opposition would like, to be able to question Ms DeGiusti about the issues surrounding her departure, because as one of the chief child advocates in the province of Ontario, we can't afford to lose this woman. She is a skilled professional who is well-regarded, not just at the hospital but, indeed, by the children's services sector. I was minister of children services for one to three years, depending on how you define it,

and she is someone who was very well-regarded. We want answers. We want to find out why she departed, and this committee is in a position to do that.

Also, the motion makes reference to Dr Koka, another well-regarded health care professional, and his suspension following his speaking out in Sudbury about the effects of the health care policy.

This is of huge concern on a personal level, and we would like the opportunity to talk to these professionals and get their interpretation of events. Given the minister's clarity and absolute clearness that neither he nor anyone in his ministry or staff were involved and had no communication with the hospital in that short intervening period, I would suspect there would not be a terrible objection. It could probably be done in an hour or two to have these two individuals and would reinforce our role as independent members of the Legislature.

How much time do I have?

The Chair: You have about five minutes, Mr Baird.

Mr Baird: I'll just speak one minute, and then maybe I can use the four minutes at the end.

In the House today we had the official opposition split on two bills. I was actually very pleased to see that. We talk about the need for democratic renewal. Sure, that's important, and I applaud the government's talk in that regard and look forward to seeing what their proposals are, but we don't need to renew anything but our ability to stand up as members and ask good questions and hold the government to account.

I can appreciate it's particularly difficult for members of the government caucus, and I would just ask your consideration for even two hours, an hour with each of these individuals. We could do it closed-door if that would be more comfortable for them and the future of their careers. So I hope we can count on the support of all members for this committee motion.

The Chair: So you'll keep your four minutes, Mr Baird. Mr Marchese, you have 10 minutes.

Mr Rosario Marchese (Trinity-Spadina): We support this recommendation, for many of the reasons that were raised by John Baird here. I have to tell you, I'm worried about the Liberals. I'm worried about you; this is why I am speaking in favour of this motion.

Ms Kathleen O. Wynne (Don Valley West): Save it.

Mr Marchese: And you may not want my help, I quite appreciate that, but I want to explain it anyway. You might recall—well, nobody was here when they were in power.

The Chair: Ted was.

Mr Marchese: Ted, of course. Ted, you will remember that the Tories were bullies themselves. John knows that because he was there. I think with that experience, we have John ready and prepared to say, "We learned a fair bit." They did a good job of it as well, I thought. I decried what they did, because I thought they created an atmosphere of fear. This is why, with them, there were never any brown envelopes, you will recall. Never. Do you have a sense of why? Well, let me tell you why. They intimidated the civil servants so much that every-

body was afraid for their job. Not one job was lost due to that, because the climate of fear was so very effective.

So we thought Tories could be such bullies and the Liberals were so angry at what the Tories used to do, like New Democrats, that we thought Liberals would never, ever do that kind of stuff. Right. But I'm worried about you guys, because I just don't see that you've learned from what the Conservatives did in their eight years.

I have some experience, because I see it with Kennedy. Gerard is very much in the same spirit of bullying. He might not see it that way, because when you're in government you tend not to see what you're doing. You tend to believe you're doing this for the common good, for everyone's common good, not just your own. Gerard used to attack micromanaging of the economy of every individual ministry, and they did do that. Gerard was very critical and we were very critical of what the Tories did, and I see exactly the same things happening. I see it with George and I see it with Gerard: micromanaging everything, calling everybody, telling them what they should or shouldn't do, in their own inimitable styles, both of them. I suspect other ministers are doing the same but probably much differently. But George and Gerard have a lot more experience.

I've got to tell you, I was in Ottawa last week, talking to trustees, and they were not happy. And I hear things, which I hope to be able to report as we go in the House, in the debates and questions. But that's why I tell you I'm a bit worried about what I see happening as a *modus operandi* of your government and at least some ministers of which I am aware. We feel that George has created a climate of fear, a climate of bullying, a climate of intimidation. With some people it works, and with many people it doesn't work. It's bound to create trouble.

All Cyndy DeGiusti did was simply to state the obvious: There are cuts, and if we have to make cuts of this magnitude, people are going to be hurt. Someone's going to get hurt and someone's going to suffer. It's very obvious. She was only stating the obvious, and for that she got penalized by someone. It would be hard to say that George did it. I believe this is a causal relationship between what a minister tells the administrators of the hospital and the effect of that. There is a causal connection. You will deny it; I understand that. But if calls are made to administrators and/or things are said in a committee setting where administrators have a good sense of what they should or shouldn't do based on what they're told or what they hear, by assumption, directly or indirectly, then it has causal connections and implications.

George and the rest of you will never say that there was a direct connection. If the hospital board fires somebody, you and George will say, "It's got nothing to do with me. Whatever they do is independent of me." And I'm making the connection between what a minister says and does with administrators and the effect that has on people like Cyndy DeGiusti.

When someone says, "Everybody's chilled; there will be consequences for not toeing the line," coming from an administrator it tells you something is going on. People

are afraid. People are told basically to be careful. The language might vary depending on whom they talk to. "Things could be worse for you. Let's work together. We can do this together," is the kind of language that you probably get from the government through the ministers in many cases.

So I worry about the bullying, I worry about the intimidation tactics, and I think it does have an effect on people. And I believe there is a direct relationship between what the ministry or the minister has said and the effect of the firing. I think it would be interesting to have this committee review it in the 12 hours that we would have to deal with such a matter. It doesn't have to be 12 hours; I don't think we need that. John, I think, said we could do it in two. Even a shorter timeline could solve it. So let's not say we need to drag it out for a long period of time to get a couple of people to come in front of this committee and talk a little bit, talk to us in a frank way. It couldn't hurt.

You Liberals would feel great that you were able to do it because you've got nothing to hide. If you oppose this motion, you understand, you will be seen to be hiding something. You don't want to be seen to be hiding anything, right? Because you guys have got nothing to hide. Is that correct? Exactly. George's staff say they have nothing to hide.

Mr Baird: I don't know how he gets stuck with these things all the time.

Mr Marchese: They know these things.

If they've got nothing to hide and George has nothing to hide, surely you've got nothing to hide, because you don't know anything. And you only know as much as we do. So it would seem to me—

The Chair: You have one minute, Mr Marchese.

1600

Mr Marchese: One minute, yes. Time flies. It would seem to me that it is in all of our interests to bring a couple of people together here for a couple of hours; we ask them a couple of questions, you ask them a couple of questions, and in the end we clear the air. You're happy, we're all happy, everybody goes home and we start at zero again. George will learn from it and Gerard will learn from it: "We'd better be careful about bullying others. It could get us into trouble and get us to this committee again." But once you clear the air, you don't have to worry about it, right? I recommend you support it.

The Chair: Mr McMeekin, please. You have five minutes.

Mr McMeekin: I have a lot of respect for Ted Arnott, who brought this motion forward, and it's always difficult to disagree with a good friend, but on this one I just—I don't know how my colleagues on the government side will vote on this motion, but I certainly don't intend to support it. Notwithstanding the best efforts of some to paint, even create the belief that there's some kind of environment of fear and intimidation, I just don't think the evidence supports that. In fact, there are all kinds of references from speaking notes, and I always

hate speaking notes, about bully tactics from the Tories, and even Michael Prue is quoted as saying he doesn't think there's a connection here.

Listen, we're all honourable members here. I believe the minister when he says that he's had no direct role, but more importantly than that, I believe the chairman of their board, David Galloway, who said, on October 19, "I can assure you there was absolutely no interference from the government whatsoever." I mean, we're not about to put ourselves into the precedent-setting business of trying to micromanage comments in the media and personnel decisions that are being made in individual hospitals. That's bizarre. I mean, we'd be doing nothing else as a committee. We wouldn't have to worry about the 60-hour workweek; we'd be spending 60 hours just checking in with people making comments, critical or otherwise.

So I offer that up. I don't think the motion is particularly constructive or helpful. It certainly doesn't reflect the new era of collaboration and encouragement and openness that we're trying to create with the hospitals.

In fact, one of the things that was prepared at my request was a list of the 40-odd hospitals that Minister Smitherman has been visiting. He's been getting very good reviews in a lot of the media about the spirit of openness and collaboration, notwithstanding the fact that we had to come to the table with millions of dollars to clean up the debt and talking about accountability arrangements with hospitals. Any time you use the word "accountability," particularly in sectors where that's seen as something new, there's going to be some tension. I don't think it's helpful to exacerbate that tension by feeding it like this.

That having been said, I just want to read into the record—I've made the reference to David Galloway's comments, and there are all kinds of other comments about the collaborative, co-operative, open, transparent, value-based approach of the government. Far be it from me to try to defend the health minister; he doesn't need my help doing that. He does quite a capable job himself of that and, I think, speaks well. But I received a letter. I was given this from Dr Koka; he's referenced in the resolution. He got wind of what was happening here and subsequently had a conversation with the Minister of Health and Long-Term Care. Here's the very person mentioned. I think this needs to be shared. He writes,

"Dear Minister:

"Further to our discussion on Friday, I would like to reaffirm that I have a very good working relationship with you. I further confirm that you had" absolutely "nothing to do with my dismissal by the board of directors. As discussed, I look forward to working with you at your earliest convenience regarding regional beds and the review of the service delivery model for mental health.

"Thanking you,

"Yours sincerely,

"Dr R. Koka."

So I think the letter is instructive; it's helpful. It clarifies very directly—

Mr Baird: It wasn't Ms DeGiusti.

Mr McMeekin: Well, I think the chairman of the board spoke there. We're not about to get involved in the personnel issues of the individual hospital. She obviously made a decision, or had that decision made for her, I don't know, but it's not our business to micromanage hospitals.

So I don't intend to support this. I want to commend—

Mr Marchese: Did you say that you do?

Mr McMeekin: I don't intend to support it, I said. I want to commend the government generally, and the minister specifically for his initiatives; the government's initiatives to build in the kinds of accountabilities that I think the good people who we represent in Ontario are demanding.

The Chair: Mr Baird, you have four minutes.

Mr Baird: To address the issue head-on, someone at the Ministry of Health may or may not have. At this table, I'm not saying that they did or they didn't. Nevertheless there is a concern, obviously, taking Mr Galloway's comments at face value, that they felt, in this environment, that they couldn't have this woman working in a senior capacity who had so clearly spoken out against government policy, that it might hurt the hospital and its important operational relationships with the ministry. The minister and the Premier both said that if they fired her for that reason, they were wrong to do so. I want to know why this woman left. I want to follow up on what the Premier and the minister said directly. If this woman was let go because of the atmosphere, maybe not a—

Mr Khalil Ramal (London-Fanshawe): She left [*inaudible*]. You can't open a file on everyone.

Mr Baird: I'm not proposing to open a file. Mr Arnott has been here in the House for 14 years. He's never once asked to do anything. He's never once asked for one of these hearings. Yes, in Ottawa we did fire the hospital board and the CEO. We did it publicly, under the Public Hospitals Act. It was open. It was transparent. I was available, as a backup to the Minister of Health, to publicly defend and be accountable to the community for that action. Mr McGuinty gave a report card for health care in Ottawa in front of the Ottawa Hospital 18 months after this happened. He had every institution listed in town except for the Ottawa Hospital, which was right behind him, 20 feet away, because I think he recognized that the hospital had really been cleaned up and put under new management.

One of the things I said on election night was that I would support the government when I agree with them and won't be negative just to be negative. Today in the House, for example, I supported Bill 70. I supported Bill 60. Before the bill was even passed, months ago I already gave the minister some draft amendments, seeking to work with her in a nonpartisan fashion. We had a question today on community living. I think the government is doing the right thing on community living. They put cash upfront, and I support what they're doing. I've talked to families who are concerned about what the government has done and I've defended them because they're doing the right thing. Certainly the policy, when I

was the minister, they're continuing. It's one of the few policies which has continued.

Our role as legislators, one of the essential roles we have, is to hold the government of the day accountable. We can't even ask these questions. I don't want to micromanage every hospital in the province or every employee in the hospital. I just have two that I'd like to talk to, on the record. It could be 12 or 20 hours; it could be an hour or two. We can do it in closed session if that would be more comfortable for the individuals involved. I would like nothing more than to go out and say, "Boy, I was wrong." But when there's no light of day, when there's no openness, when there's no ability for us to ask the question, this is none of our business? This is a personnel issue? Baloney. Our tax dollars pay for this woman's salary and her severance payment. Our tax dollars pay for the services that are delivered at the Hospital for Sick Children.

I think we have every right to be concerned about the third most important child advocate in the province of Ontario. After the Ontario children's advocate—and notionally, I think I would include Dr Bountrogianni as having an equal role to that individual—we're losing this woman from serving our community. That's a real shame, and I'd like to know why.

The Chair: Mr McMeekin, quickly.

Mr McMeekin: I think I've got maybe 20, 30 seconds. I just want to say that the truth is here. You are wrong. You've been told you're wrong by both the chair of their board as well as Dr Koka directly. I'm not about to open the—

Mr Baird: I'm not saying that. I made no statement that George ordered them to fire this woman.

Mr McMeekin: I'm not about to set the precedent of opening every potential Pandora's box all over the province on personnel issues and micromanaging every hospital and institution in this province. That's nonsense.

Mr Ramal: Mr Chair?

The Chair: Quickly.

Mr Ramal: Yes, quickly. So I think there's no case to open. I think for every person that has resigned or quit, we would have to open their file, so it would be—

Mr Baird: Just one. One in 14 years.

Mr Ramal: Well, that's why I don't think it's an issue. Therefore, I'm against the motion.

The Chair: Perhaps we'll just go ahead and deal with this motion.

Mr Marchese: Recorded vote.

Ayes

Baird, Marchese.

Nays

Fonseca, Marsales, McMeekin, Ramal, Wynne.

The Chair: The motion is defeated.

That's all the business of the committee for this afternoon.

Mr Baird: You have two other items of business on the agenda, and I have some other things I'd like to suggest.

The Chair: Sure, Mr Baird.

Mr Baird: I'm just kidding.

The Chair: Oh, thank you very much. Just after we adjourn, I would ask Mr Marchese and Mr Baird, we want a short subcommittee meeting with Mr McMeekin with regard to Bill 63, which is the 60-hour-workweek

legislation. We want to have a quick discussion on how we want to handle that in terms of committee hearings, maybe outside of Toronto or whatever. If I could have about 10 minutes of your time.

Mr Baird: I'm not the subcommittee person.

Mr Marchese: Let's call for another meeting.

The Chair: OK. At this time, the committee stands adjourned.

The committee adjourned at 1612.

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Official Report of Debates (Hansard)

Tuesday 23 November 2004

Journal des débats (Hansard)

Mardi 23 novembre 2004

Standing committee on social policy

Employment Standards
Amendment Act (Hours of Work
and Other Matters), 2004

Comité permanent de la politique sociale

Loi de 2004 modifiant la Loi
sur les normes d'emploi
(heures de travail et autres
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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
SOCIAL POLICYCOMITÉ PERMANENT DE
LA POLITIQUE SOCIALE

Tuesday 23 November 2004

Mardi 23 novembre 2004

The committee met at 1540 in committee room 1.

SUBCOMMITTEE REPORT

The Chair (Mr Jeff Leal): I'd like to bring the standing committee on social policy to order.

The first item is the report from the subcommittee, dated November 18, 2004.

Mr Ted McMeekin (Ancaster-Dundas-Flamborough-Aldershot): Your subcommittee met on Thursday, November 18, 2004, to consider the method of proceeding on Bill 63, An Act to amend the Employment Standards Act, 2000, with respect to hours of work and certain other matters, and recommends the following:

(1) That the committee meet for the purpose of public hearings on Bill 63 on November 23 and November 29, 2004, based on witness response;

(2) That an advertisement be placed on the Ont.Parl channel and the Legislative Assembly Web site and a press release be issued;

(3) That interested parties who wish to appear before the committee be scheduled on a first-come, first-served basis, and the clerk may schedule witnesses as they call in. If the numbers of those who wish to appear warrant additional time for public hearings, the subcommittee will meet to consider whether to recommend additional days for public hearings;

(4) That organizations and individuals be allotted 15 minutes in which to make their presentations;

(5) That the Minister of Labour—who I'm pleased to see is here today—or his designate be invited to make a half-hour presentation before the committee on the afternoon of November 23, 2004—this afternoon;

(6) That opposition critics be allotted 15 minutes each to respond to the minister's briefing;

(7) That the research officer provide the committee with a summary of witness presentations prior to clause-by-clause consideration of the bill;

(8) That a date for the committee meeting for the purpose of clause-by-clause consideration of Bill 63 be decided after the response to the request for public hearings is known;

(9) That the clerk of the committee, in consultation with the Chair, be authorized, prior to the passage of the report of the subcommittee, to commence making any preliminary arrangements necessary to facilitate the committee's proceedings.

I'd be delighted to move that report, Mr Chair.

The Chair: Comments or questions? All in favour? Carried.

EMPLOYMENT STANDARDS
AMENDMENT ACT (HOURS OF WORK
AND OTHER MATTERS), 2004LOI DE 2004 MODIFIANT LA LOI
SUR LES NORMES D'EMPLOI
(HEURES DE TRAVAIL ET AUTRES
QUESTIONS)

Consideration of Bill 63, An Act to amend the Employment Standards Act, 2000 with respect to hours of work and certain other matters / Projet de loi 63, Loi modifiant la Loi de 2000 sur les normes d'emploi en ce qui concerne les heures de travail et d'autres questions.

The Chair: Mr Minister, I'll now ask you to make your presentation on Bill 63, An Act to amend the Employment Standards Act, 2000, with respect to hours of work and certain other matters. We're delighted to have the parliamentary assistant, Mr Flynn, here today.

Mr Minister, do you want to commence?

Hon Christopher Bentley (Minister of Labour): Mr Chair, I'd like to thank you and the members of the committee for the opportunity to speak to this legislation. I want to assure you at the outset that I will not be taking my full half-hour that I understand has been allotted. I will take the opportunity to make sure I know the comments that are made during these committee deliberations, both from MPPs and witnesses, so that the government can have full consideration of this committee's work when it proceeds, or decides to proceed, with the legislation, depending, of course, on the committee's deliberations.

The government introduced Bill 63 for two reasons. First of all, we made a commitment to restore and support a worker's right to choose whether he or she wishes to work more than 48 hours in a week. This is a right that has historically existed, in fact, for decades in our legislation and has historically existed dependent on two requirements: first of all, that the worker and the employer make an agreement that the worker will work more than 48 hours in a week—historically, if the worker did not agree, there was no right to work more than 48 hours in a week; the second of the traditional requirements was that the Ministry of Labour grant it's approval. This requirement existed for decades. This re-

quirement is a very important one, because many workers do not have the bargaining power to effectively say to their employer that they don't wish to work the hours. That second requirement was eliminated in ESA, 2000. The central part of this legislation is that that requirement is returned.

The second goal of the legislation is as part of a broader strategy to assist and support the most vulnerable workers in society, part of a strategy that is legislative, that involves an awareness campaign for both employers and workers and involves an enhanced enforcement strategy. At the concluding part of my remarks, I'll touch on the broader aspects of this threefold strategy, but let me return to the central part of Bill 63.

The right to work more than 48 hours in a week was limited. It has been limited since approximately the late 1960s by the Employment Standards Act and has required two essential pillars: that the worker agree and that the government approve. Why is it important to have government approval? I touched on that already. There are many workers in our society who do not have equal bargaining power with their employer, who by nature of their position do not have the effective right to say no on their own. Government approving the agreement is an additional support for the worker's right to choose.

When the previous administration eliminated that government oversight in ESA, 2000, there does not appear to have been much thought to how the most vulnerable in our society would have their right to decide supported, because there were no additional protections in ESA, 2000, to replace government oversight.

We committed to restoring the end to the 60-hour workweek, and this legislation does exactly that. In order to work more than 48 hours in a week, the worker has to agree. That hasn't changed, although there now has to be kept a record of that approval. The second part is that the employer has to apply to the government for the right to have the worker work more than 48 hours in a week. That is different, and I'll talk about the approvals process in a moment. If the government approves, then the worker can work more than 48 hours in a week.

The approvals process used to be, and this was one of the main concerns in the business community, a very paper-intensive, time-consuming process, and that may have been one of the reasons that many wanted it eliminated. But eliminating it, again, does not support the effective right of workers to choose. So what we've done is restored the application process but done so in a way that is much easier for business, much less paper-intensive and much faster, frankly. We have said that employers, once they obtain the worker's approval to work more than 48 hours in a week, can apply in writing or electronically or by fax.

Thirty days after the date of their application—and these are for applications to work from 48 hours up to 60 hours in a week—the employer and the worker can begin working more than 48 hours in a week unless the minister—the director of employment standards—has intervened. The director of employment standards always has

the right to intervene, as the director did before. That's an important difference from the old process, because it means that business will not be hampered in its efforts to compete, business will not be tied down with red tape and business will not be tied up with paper. They'll be able to commence working more than 48 hours in a week within 30 days after the application is made unless the director intervenes.

Why would the director intervene? If there are employment standards concerns about the particular business, if there are health and safety concerns about the particular business. The whole goal of the process is to focus the efforts in areas on businesses that may be a concern, because the point of the process is to support the worker's effective right to choose whether he or she wishes to work more than 48 hours in a week.

For any applications for more than 60 hours in a week, the application has to be made after the worker and the employer agree, but the employer can't work those extra hours until the director approves.

1550

In coming up with that application process, we did listen to the concerns of workers and of business, because it's important to recognize that we proceeded with this bill after a consultation process. We heard input from workers, from labour, from businesses, from business organizations. Specifically, the chamber of commerce and the CFIB spoke about not tying business up with red tape, and it was the chamber of commerce that suggested that the Web, that electronic means, be used for any form of application process. We've taken that suggestion to heart, and that's why the process appears—

Interruption.

The Chair: It's earth-shattering legislation, Minister.

Hon Mr Bentley: That's the application process.

The second part of the bill deals with overtime averaging. What is overtime averaging? A worker is entitled to be paid overtime for any hours in excess of 44 in a week. If the worker works more than 44 hours in a week, they get paid overtime. If they want to work more than 48 hours in a week, again, there has to be ministry approval. What happens if the worker and the employer agree that they want to work 38 hours one week and 50 hours the second week? The employer would potentially have to pay the worker for the extra six hours in the week where the worker is working 50; there wouldn't be any overtime paid for the week in which the worker is working 38.

Many workers—some represented by unions, some not—and employers agree that they should have weeks where they work different hours, for the good of the business and often for the convenience of the worker. The continental shift, which is in place in many workplaces, is one of those arrangements.

Historically what's happened is that the workers and the employer can apply for approval to average the overtime over two or more weeks. Historically, these averaging agreements were always the subject of, again, ministerial oversight. Business had to get the approval of

the worker and then apply to the government for permission. In ESA, 2000, the governmental oversight was extended from what used to be any period of two weeks or more up to a period of four weeks or more.

What we're doing in this legislation is restoring the traditional governmental oversight that used to exist for any agreement of two weeks or more. We are not introducing overtime averaging, because that has been in the legislation for quite some period of time, long before ESA, 2000. And we're not introducing governmental oversight for the first time, because that has been in the legislation as well. What we're doing is restoring the oversight for every proposed averaging agreement of two weeks or more.

Those are two of the key parts of the legislation itself: the agreements and the overtime averaging.

In addition, we are proposing that the bill provide a broader regulation-making power so that the government can approve working arrangements in very specialized situations. It has been suggested, for example, that in remote mining areas the workers and the employer may want an unusual working arrangement that wouldn't otherwise be obviously approved under existing employment standards legislation. What this power will do will be to give the government—the director of employment standards—the power to approve those unique special working arrangements for the good of the workers and for the good of the business.

As I said before, the second thrust of this legislation is as part of a broader initiative to support the most vulnerable workers in our society. They are the workers without effective bargaining power. They are the workers who often don't have other protections available to them, so they look to the government. A legislative initiative, which this is, can only be a part of that type of strategy, however. There are other key parts.

Legislation that isn't enforced really isn't effective protection at all. When we announced our intention to introduce this legislation, we also announced an enhanced enforcement initiative, which has two aspects. First of all, prosecutions will be used where they are appropriate and justified by the alleged facts. That's a change in direction.

The second part of the enforcement initiative, though, is to make the enforcement of this act much more proactive rather than reactive. What do I mean by that? What we found is that the enforcement of claims is much more effective when inspectors go into workplaces not reacting to a complaint but just unannounced, to find out whether the Employment Standards Act is being complied with, to conduct an audit of the books, to see whether the workers are being protected by the act. This is much more effective than if we wait for workers to come into a Ministry of Labour office or to make a claim.

In spite of that knowledge, the number of these proactive inspections over the years had been reduced virtually to nil. When we became the government in October 2003, the ministry was relying on workers to come into a Ministry of Labour office or make a claim

alleging that their rights had been violated or their rights under the act were not being complied with. So as part of the three-pronged strategy, we announced that, over the next year, we would be conducting 2,000 proactive inspections to get the inspectors out into workplaces and provide a much more effective level of protection to workers.

That's the enforcement side. But as we have been told by workers and employers alike, a law is most effective if everybody knows about it to begin with, knows what their rights and what their responsibilities are. If workers don't know what their rights are, it's going to be tough for them to actually obtain the protection that the law provides. If employers don't know what their responsibilities are, it's going to be tough for them to comply. So as part of a three-pronged strategy, we have engaged in a rather substantial awareness initiative for both workers and employers.

Let's look at the employer side first. It had been suggested to us by a number of organizations—the CFIB, for example—that a computer- or Web-based source of easy-to-use information for employers would be a very valuable resource. It would be at hand, at their fingertips. It has to be a source of information that's easy to use. Ideally, it would be a source of information where the employer, if he or she couldn't find the answer to a question, would have a means of asking the question and getting an answer.

Several weeks ago, we launched the Workplace Gateway, a Web-based, computer-based source of easy-to-use information for workers, but primarily directed at employers so they could find out information about employment standards issues, hours-of-work issues as well as other labour issues. If they didn't get the answer from the Web, then they could ask the question either by e-mail or by a 1-800 number.

That's for employers. What about the workers? We were told that many of the most vulnerable workers in our society don't speak English or French as a first language, and those are the languages that government transacts its business in. Those are the languages in which most government information is found.

1600

So we did two things: We announced an enhanced awareness initiative. Over the month that followed our April announcement, the Ministry of Labour made contact with over 100 community organizations, some legal clinics that already do a lot of employment standards help work, but many other organizations that didn't know a lot about the Employment Standards Act, organizations that draw from different cultural groups and organizations that draw from different linguistic groups. What we have done is effectively told these organizations what we do, what the Employment Standards Act is about, how a worker can make a claim, how a worker or an employer can find out more information—as I say, more than 100 of these organizations.

We backed that up with something else. Just a couple of weeks ago, we announced that we had translated some

basic employment standards information into 19 additional languages—additional to English and French. So now we can provide basic employment standards awareness information to either workers or employers in a total of 21 different languages, in hard copy or through the Web. The goal is to greatly increase the awareness of Employment Standards Act rights and responsibilities to all of those who may either need the protection of the law or need to know what rules they have to comply with in order to be in compliance with the law.

Chair, members of the committee, those are the broad outlines, both of the purpose of the act and of our three-part strategy to protect all workers in the province, but in particular the most vulnerable. It's a strategy, and this is a bill, I would suggest to all members of the committee, that is certainly good for workers, also good for the business community and good for the people of Ontario.

Thank you very much for your attention. Unfortunately, I have to depart to catch a train, but I will make sure I find out about the committee's deliberations, and I know my parliamentary assistant, Kevin Flynn, will be remaining for the duration.

The Chair: Thank you very much, Minister. We appreciate your remarks today. You certainly covered all the main elements of Bill 63, and we thank you for that.

I now call upon Mrs Witmer to provide her remarks on behalf of the official opposition.

Mrs Elizabeth Witmer (Kitchener-Waterloo): Thank you very much, Mr Leal. Before we begin that, what was the plan after 4:30 today? I have "TBA."

The Chair: We have no witnesses for today, Mrs Witmer.

Mrs Witmer: OK. Could you just inform me as to how many witnesses we have the next time we meet? We have one more day, I believe.

The Chair: We have a full slate for next Monday and one additional presentation beyond that. That's where it stands right now.

Mr McMeekin: If I might, a full slate is what?

The Chair: I'll just ask the clerk.

The Clerk of the Committee (Ms Anne Stokes): Up until the point we came into the committee meeting, we have witnesses scheduled from 3:30 through to 6 o'clock for Monday. We do have one additional person on the waiting list, whom I have advised it will depend on a cancellation. It would be up to the committee to decide if they want to hold any additional days.

Just for your information, we have received a number of e-mails from people outside of the Toronto area who were interested in the committee travelling. The option of videoconferencing would be something the committee has done before and would be a possibility. It's up to the committee to decide how they would like to proceed from here.

Mrs Witmer: Are we going to receive, Ms Stokes, a copy of the names of people who have indicated an interest?

The Clerk of the Committee: We sent out a copy first thing this morning. It's been updated since then.

Mrs Witmer: Of the names?

The Clerk of the Committee: Yes. It's also posted on our Web site. I could get you a list of—

Mrs Witmer: I'd really appreciate seeing it. I have not seen a copy.

The Clerk of the Committee: If you don't mind one with handwritten notes on it, I can just make copies of this.

Mrs Witmer: Sure. That would be great.

Did you have a question, Ted?

Mr McMeekin: Just a supplemental. We had agreed we would hear from those who wanted to present today. Was there no one who wanted to present today?

The Chair: I don't believe so, Mr McMeekin. I'll just double check. Ms Stokes, no one wanted to present today. Am I correct?

The Clerk of the Committee: No, there was no one available or willing to appear today.

Hon Mr Bentley: Chair, if I could interject, I don't have to leave until 4:30, so I'm going to wait here until 4:30. I don't know if that assists.

The Chair: Thank you, Minister.

Mr McMeekin, when I realized that we might have some time today, we did certainly inquire if people who were scheduled for next Monday could come today, and that wasn't feasible.

Mrs Witmer, sorry. Did you—

Mrs Witmer: I just have a few comments. I guess the truth of the matter is, the people we have heard from are concerned about the changes that are being made. They do see them as resulting in additional paperwork.

If you take a look at some of the statistics, there's no indication that hours of work have increased recently. It seems the system that we introduced was working quite successfully, and this certainly does not eliminate the 60-hour workweek either. So I think to suggest that that's the case—it is not happening.

We don't have any amendments, but we recommend that the bill in its entirety be withdrawn, because with this type of legislation—actually, it's a pretty small piece of legislation—there's not a lot you can do, other than withdraw the entire bill. I think if we take a look at newspaper clippings, there hasn't actually been that much in the way of interest shown by the public in Ontario regarding this piece of legislation.

Our concern certainly would be that it adds paperwork and it's going to be more of a burden, and this will mean that a 60-hour workweek will continue. It's just that the employer now is going to have to jump through some additional hoops in order to comply with the requirements. So I think that's important.

I don't have a problem with the poster. People in the workplace need to know what their rights are, and I always think we should do whatever we can. I know that when I was Minister of Labour, we tried to make sure young people in the workplace knew what their rights were and that they didn't participate in activities that could cause them harm and undue injury or premature death. Our recommendation would be that the govern-

ment totally withdraw this legislation because of the additional paperwork.

I hope this government also keeps in mind that with the introduction of this bill, and now with the introduction of Bill 144, we are seeing some concern being expressed on the part of the people who create jobs in Ontario. In fact, my phone wasn't ringing until recently, with the introduction of Bill 144. I can tell you, already there are businesses in this province—some of them are people who have operations not just in Ontario but throughout Canada, throughout the United States, throughout the world—that have now put Ontario on their radar screen as an area where they're not sure they want to invest further money and create more jobs for the people in this province, because they're seeing that some of this new legislation is certainly turning back the clock 15 years or more, and it's going to make it less attractive to business. If we don't have people creating new jobs in this province, it also means that we're not going to have the money for health care or education.

We just need to go back to the period of 1990 to 1995, where we saw a radical shift in labour legislation and very unbalanced legislation, and people fled this province. It simply didn't create new jobs here. They went to other jurisdictions, and as a result, we actually lost 10,000 jobs between 1990 and 1995. It was pretty scary. If you had a child who was graduating, that child didn't have much of an opportunity.

1610

I can tell you that when we introduced Bill 7, it was like the walls had come down around this province and we saw, in about eight years, the creation of about a million new jobs for our young people, for ourselves, for our families and for our friends.

I would encourage this government—yes, it's very important that we continue to have fair and balanced legislation, but I also would say to you that if you take a look at the hours of work, it doesn't appear that the hours of work have changed much. If you take a look at your steps in Bill 144, where you are creating an imbalance, you can find yourselves, at the end of the next three years, in a similar situation as we found ourselves in 1995 when we had a crippling debt, we had a deficit, we lost 10,000 jobs and we were taxed to death. And you know what? There wasn't much hope and opportunity.

So I hope the government will very carefully consider the steps they're taking, and our recommendation would be the total withdrawal of this bill, because it basically is so simple; it only refers to one issue in particular, so I don't think that's going to happen.

If we take a look now, we see that we have some people who are going to be coming in and making presentations to us. I would look forward to hearing from some of those folks next Monday.

The Chair: Anything further, Mrs Witmer?

Mrs Witmer: No.

Mr Peter Kormos (Niagara Centre): Although I like Ms Witmer very much, I'm not in a position where I can agree with her that the Tory scheme was working very

well, and that comes as no surprise. But I'm not about to pretend that this proposal, Bill 63, in any way improves upon the incredibly anti-worker environment created by the Tory scheme.

In fact, this Liberal government fails to provide changes that would enable workers to meaningfully enforce their rights while at work; and in fact, contrasted to the minister's claim that this bill will end the 60-hour workweek, the bill actually allows employers to obtain permits for workweeks longer than 60 hours. That is an outrageous proposition and reveals once again that the McGuinty Liberals haven't seen a Tory policy with which they haven't become immediately enamoured and intimate to the point, beyond courtship, of actual promotion and enactment.

Bill 63 fails to take a comprehensive approach to responsibly addressing hours of work, overtime and enforcement, and this bill keeps much of the Tory government's erosion of Ontario hours-of-work rules. One of the most striking omissions is its failure to revoke a boss's ability to establish regular maximum workdays of up to 13 hours. This bill not only provides for and facilitates and accommodates workweeks in excess of 60 hours, but workdays of up to 13 hours.

The bottom line is, Ontario needs a 40-hour workweek. This government fails to deliver it. In that regard, Ontario remains out of step with many other jurisdictions across the country. The workweek is 40 hours in British Columbia, Saskatchewan, Manitoba, Quebec, Newfoundland, Nunavut, Yukon and Northwest Territories, and under federal jurisdiction.

There wasn't even the typical feeble and feckless attempt by this government to create the illusion, the Houdini-like legerdemain of eliminating overtime averaging in this bill. Overtime averaging is the biggest gift that was ever given to bosses in Ontario. Brought in by the Tories, it allows overtime to be averaged for up to four weeks rather than being paid after 44 hours in one week. Especially vulnerable, of course, are non-unionized workers; make no mistake about that.

Unionized workplaces are safer, more productive and certainly more stable, and non-unionized workers remain overly vulnerable in their workplaces without adequate enforcement. The boss has the power to unilaterally deprive an employee, a worker, of his or her livelihood. Now, the minister said that he would dedicate resources to investigate alleged violations and prosecute bosses. Indeed, he promised to conduct 2,000 proactive inspections of workplaces focusing on high-risk employers. Yet there's no new money for Ministry of Labour investigations, which puts into question the McGuinty government's real commitment to this initiative.

New Democrats continue to be not only highly critical of this bill but extremely concerned about this government's lack of commitment to working people in this province. When you take a look at this bill, along with the much-touted—by nobody but the minister himself, of course—package of labour reforms, and in the context of understanding that it is non-union workers who espe-

cially need statutory protection, we see this government maintaining the Tory agenda of denying to agricultural workers the right to belong to trade unions, the right to collectively bargain in their workplaces—amongst the most dangerous workplaces in this country—and the right to bargain things like workplace health and safety, never mind wages.

Agricultural workers understand that they're in a low-wage industry; make no mistake about it. But it doesn't have to be a deadly industry. The agricultural industry takes more lives per capita, mutilates more bodies per capita and poisons more lungs per capita than any other industry, and many of these same workers are the most vulnerable because their first language isn't English. Indeed, many of them are in this country under special conditions which make them subject to coercion, both explicit and implicit. The Liberals at Queen's Park want to insist that they have generated labour reform, but in fact they leave those hundreds and thousands of agricultural workers in the 19th century.

And what about anti-scab legislation? Scabs—the net result, of course, is to take away jobs from hard-working women and men who are in a labour dispute, increasingly, as we witness more often than not, locked-out rather than on-strike. This Liberal government continues to roll out the Tory red carpet to scabs in Ontario. On any picket line in this province where scabs are busting through, you'll see picket lines where working women and men are being subjected to attack under the violence of speeding buses, cars and vans. The history of working women and men mowed down by scab buses, scab vans and scab cars is legion.

1620

The reality is that in jurisdictions where there is anti-scab legislation, work stoppages are fewer and shorter and negotiations take place at the table, which is how, in a civil society, you resolve conflicts around contracts. Add to that the denial to the largest number of working women and men in this province of their right to certify by virtue of card sign-up, and we see the most thorough betrayal of working women and men that this province has witnessed in literally decades. To allow card certification to but one sector of workers in this province is an attack on the workers who are denied the same access to a trade union.

Card certification has a respectable history in the province of Ontario. It was repealed by a Conservative government that made no bones about the fact that it was anti-labour, anti-worker, pro-corporate boss, pro-globalization. The Tories made no mistake about letting people know that. The Liberals want to say, "Oh, but we're so balanced." Give me a break. Some balance, when you maintain the same Conservative disdain for working women and men as part of your legislative agenda by denying workers in this province, the vast majority of workers—industrial workers, service sector workers, retail sales workers, agricultural workers—the right to card certification.

This committee is not going to sit very long this afternoon. That's fine. We're resuming again on Monday

next. I want to thank the clerk—I trust, with the assistance of the Chair—for compiling the list of presenters who are going to be here on Monday. I encourage the Chair to call a subcommittee meeting, and I'm confident that he will, before this legislative week is over, so we can address any new applications for participation in the committee and so we can address some of the concerns that have been expressed to the clerk by people like Scott MacLeod, first vice-president, Simcoe County Elementary Teachers' Federation in Barrie. He writes:

"This e-mail is to express our disappointment that there will not be hearings seeking input from individuals and organizations outside of Toronto on the issue of employment standards."

From people like Gavin Anderson, OPSEU executive board, Kingston and District Labour Council:

"Dear Ms Stokes,

"I am writing to express my disappointment in the government's decision to hold only two days worth of hearings in Toronto with respect to amendments to the Employment Standards Act."

E-mails like the one from Peter Boyle, president, Kingston and District Labour Council:

"I would like to request to make a submission on behalf of the Kingston and District Labour Council in Kingston and request that the hearings, which are currently only scheduled in Toronto, be expanded to include other communities, including Kingston."

E-mails like the one from Henry Evans-Tenbrinke, constituent, Hamilton Mountain riding, who writes, somewhat affectionately: "Dear Anne and members of the Ontario Legislature"—and I commend the clerk for cultivating a relationship in which people like Mr Evans-Tenbrinke feel comfortable addressing her as "Anne." That's to her credit.

Mr Evans-Tenbrinke writes:

"Dear Anne and members of the Ontario Legislature:

"Since Bill 63 will affect nearly all constituents of Ontario, we have a right to have our voices heard too. The increasing trend of the Ontario Liberal and Conservative parties to ram legislation through smacks of nothing less than dictatorship."

Undoubtedly, if I may interject, Mr Evans-Tenbrinke has watched what has happened with Bill 100 and the time allocation motion, has watched and noted what has happened with this government's accelerated agenda of legislation and its abuse of parliamentary process in the course of pursuing that legislation.

Mr Evans-Tenbrinke goes on to write, "Do the right thing and allow people right across this province an opportunity to voice their concerns about Bill 63 ... in the true democratic way that should be a tradition in this great—"

Mrs Witmer: He's on the list.

Mr Kormos: Of course; he's from Hamilton. But he's calling upon this committee to let people across this province share in the submissions.

The Chair: Mr Kormos, you have about two minutes.

Mr Kormos: Thank you kindly.

E-mails like the one from John Gaudette of Amherstburg, Ontario: "Why are hearings only scheduled to be held in Toronto? ... I'm sure communities like Windsor would like to take part...." I suggest that the clerk will be receiving more of the same.

I am eager, as a member of the subcommittee, to find ways to accommodate these folks. Of course, legislative committees ought not to travel while the House is sitting. Surely, then, the subcommittee can investigate things like teleconferencing, amongst others. We see no need to be dilatory in this process, but I encourage this committee to ensure that participants from outside of the Toronto-Hamilton area who want to be heard are heard as effectively and meaningfully as those from within the area of Hamilton-Toronto.

New Democrats do not share the Liberals' enthusiasm for this bill. We're not about to sell out our working constituents and betray them, hand them over on a platter to the global agenda and to the corporate profit motive at the expense of their welfare, their wages, their safety, their health, their lives.

This bill should be called the "60-hour-plus-workweek bill." This bill should be called a "13-hour-workday bill." That's the kind of Ontario that Liberals envision; New Democrats don't share it.

I trust that I've used my component of time.

The Chair: Yes, you have, Mr Kormos.

Mr Kormos: I appreciate your guidance.

The Chair: I have indicated to the clerk that we can have a subcommittee meeting after private members' business at 12 o'clock on Thursday. I would schedule it for tomorrow, but I have to be in a funeral in Guelph.

Is there anything else for the good of committee?

Mrs Witmer: Can we do it now?

The Chair: Madam Clerk, can you just explain?

The Clerk of the Committee: We can have a subcommittee meeting right now. Mr Kormos is substituted for the meeting but not for the subcommittee meeting, but I could contact Mr Bisson's office and see if we could get something.

Mr Kormos: Feel free to adjourn, Chair. We're going to try to accommodate folks in terms of the subcommittee meeting.

The Chair: OK.

Mr Kormos: Let's vote on it. Is the committee prepared to give unanimous consent for myself to be substituted for the regular member on the subcommittee for the purpose of this subcommittee? We can do anything on unanimous consent.

Interjection.

Mr Kormos: No, it's just myself being a peacemaker once again, trying to—

Interjections.

The Chair: Mr Kormos, we'll adjourn. If you can contact your colleague Mr Bisson, that would be helpful.

Mr Kormos: Thank you kindly for your direction once again, Chair. Your most invaluable instructions are appreciated.

Mr McMeekin: Are we going to give Mr Kormos a few minutes to do that?

The Chair: We will. I'll now adjourn the meeting of the standing committee on social policy.

The committee adjourned at 1630.

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Journal des débats (Hansard)

Lundi 29 novembre 2004

Standing committee on social policy

Employment Standards
Amendment Act (Hours of Work
and Other Matters), 2004

Comité permanent de la politique sociale

Loi de 2004 modifiant la Loi
sur les normes d'emploi
(heures de travail et autres
questions)

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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
SOCIAL POLICYCOMITÉ PERMANENT DE
LA POLITIQUE SOCIALE

Monday 29 November 2004

Lundi 29 novembre 2004

The committee met at 1545 in committee room 1.

SUBCOMMITTEE REPORT

The Chair (Mr Jeff Leal): I'd like to bring this meeting of the standing committee on social policy to order. I understand our 3:45 group is here.

Interjection.

Oh, sorry. Before we get to the 3:45 group, I'd like someone to move the report of the subcommittee, please.

Mr Ted McMeekin (Ancaster-Dundas-Flamborough-Aldershot): Mr Chairman, I'd be delighted to do that. I understand it's the tradition to read the report.

The Chair: Yes, Mr McMeekin, if you could put it on the record for us.

Mr McMeekin: I'll do that, Mr Chairman.

Your subcommittee met on Tuesday, November 23, 2004, to consider the method of proceeding on Bill 63, An Act to amend the Employment Standards Act, 2000 with respect to hours of work and certain other matters, and on Bill 55, An Act to amend the Health Insurance Act, and recommends the following:

On Bill 63:

(1) That the committee meet for the purpose of public hearings on Bill 63 on November 29, 2004;

(2) That any interested parties who wish to appear before the committee in addition to those already scheduled for November 29, 2004, may attend the meeting on standby and an attempt would be made to accommodate them to speak only if a cancellation should occur;

(3) That amendments to Bill 63 should be received by the clerk of the committee by 5 pm on Monday, November 29, 2004—you may want to ask about that at some point, Mr Chair;

(4) That the committee meet for the purpose of clause-by-clause consideration of Bill 63 on Tuesday, November 30, 2004, in Toronto—presumably here at Queen's Park.

On Bill 55:

(5) That the committee meet for the purpose of considering Mr Gravelle's private member's Bill 55 on December 6, 2004;

(6) That the office of Mr Gravelle provide the clerk of the committee with a list of witnesses to appear before the committee;

(7) That the organizations and individuals be allotted 15 minutes in which to make their presentations;

(8) That the deadline for written submissions be 5:30 pm on December 6, 2004;

(9) That clause-by-clause consideration of the bill be undertaken at the conclusion of public hearings on Monday, December 6, 2004;

(10) That the clerk of the committee, in consultation with the Chair, be authorized prior to the passage of the report of the subcommittee to commence making any preliminary arrangements necessary to facilitate the committee's proceedings on either bill.

I'll move that.

The Chair: Madam Clerk, could you just comment on item 3, the amendments to Bill 63, as referenced by Mr McMeekin?

The Clerk of the Committee (Ms Anne Stokes): The deadline, according to this, would be that amendments from the three parties should be in my office by 5 o'clock today and they will be distributed tomorrow morning.

The Chair: Comments or questions?

Mr Peter Kormos (Niagara Centre): I want to reinforce the understanding that that is a directive in terms of "should be," as compared to the phrase "must be," as I recall from the subcommittee meeting.

Can the clerk please let us know about the number of requests to participate in the committee and whether or not we've been able to accommodate those people?

The Clerk of the Committee: We've had 13 requests in total, and we have been able to accommodate all. Everybody was contacted and offered an opportunity to present today and were either unwilling or unavailable.

Mr Kormos: There were some communications received by the clerk, and she distributed them to members of the committee, from any number of people who expressed concern on their own behalf and on behalf of the organizations they represent or were members of about the committee not accommodating them because of them being outside of Toronto. Can you tell us how those people have been dealt with and with what degree of success?

The Clerk of the Committee: I explained that committees don't travel while the House is sitting and that we have facilities for videoconferencing or teleconferencing to accommodate those people who can't make it to Toronto.

Mr Kormos: How were they accommodated?

The Clerk of the Committee: How are they? An offer would be made, if they would be willing, that we

would set up a videoconference for them to make a presentation.

Mr Kormos: Yes, but this is what I want to know: Were any of those prospective participants who were being accommodated either by way of paying for their travel to Toronto or by way of videoconferencing—was the offer made, and if offers were made, were they declined? Can you help us in that regard?

The Clerk of the Committee: One offer for videoconferencing was made and declined because of the time frame. There wasn't enough time for the person to prepare.

Mr Kormos: Thank you kindly.

The Chair: Mr Arnott, do you have any questions or comments on the subcommittee report?

Mr Ted Arnott (Waterloo-Wellington): Not at this time, Chairman, but thank you very much.

The Chair: All those in favour of the subcommittee report? Opposed? It's carried.

EMPLOYMENT STANDARDS AMENDMENT ACT (HOURS OF WORK AND OTHER MATTERS), 2004

LOI DE 2004 MODIFIANT LA LOI SUR LES NORMES D'EMPLOI (HEURES DE TRAVAIL ET AUTRES QUESTIONS)

Consideration of Bill 63, An Act to amend the Employment Standards Act, 2000 with respect to hours of work and certain other matters / Projet de loi 63, Loi modifiant la Loi de 2000 sur les normes d'emploi en ce qui concerne les heures de travail et d'autres questions.

HUMAN RESOURCES PROFESSIONALS ASSOCIATION OF ONTARIO

The Chair: I'd now ask the Human Resources Professionals Association of Ontario, Mr Boniferro, chair of the provincial affairs committee, to come forward. You'll have 15 minutes, and any part of the 15 minutes that you don't take advantage of, we'll have questions from the committee.

Mr Paul Boniferro: Thank you for the opportunity to present to the committee today.

Just quickly, for those of you who aren't aware of the Human Resources Professionals Association of Ontario, we have a membership of over 14,000 HR professionals across the province. I personally sit as the chair of the provincial government affairs committee of that association, which has approximately seven members. We regularly advise the government and provide input and consultation on a number of labour- and employment-related issues. I think I would be comfortable in saying that we have been a well-known key stakeholder for the Ministry of Labour for several years, through governments of all stripes, in providing what we think is a

balanced and neutral approach to labour relations and employment law in Ontario.

1550

Today, I wanted to address for you our position with respect to Bill 63 and to give you a bit of insight. We did provide input to the government, by way of a letter dated March 1, 2004, to Tracey Mill, of the hours-of-work project discussion paper. At that time we expressed to the government that the HRPAO, while we welcomed the opportunity to respond to the consultation process, was completely opposed to the initiative that was being proposed. Our concern was as follows: The discussion paper by the government at the time suggested that there was an old permit system that was viewed as being complex and cumbersome, and they did not want to return to that type of process. It is our position, after reviewing both the discussion paper and the legislation itself, that in fact that's precisely what the government has proposed to do.

With respect to the 60-hour workweek, if I can take you back a step, part of the difficulty I think the government finds itself in is that there is a bit of a misconception out there that there has been, at any point in the history of Ontario, a mandatory 60-hour workweek. Any HR professional will tell you that that in fact is not the case, that at all times, under any legislation, of any government of any stripe, any hours that were required above and beyond the 40-hour workweek could only be done in consultation with and through the consent of employees.

Now, we all recognize, and I think legitimately need to address, those scenarios where employers don't get the consent of the employees or force the consent of the employees or the employees feel compelled. Unfortunately, those are not the employers who are currently going and getting consent from the employees voluntarily. They are also not the employers who are ever likely to go and seek the direction or approval of the director of the employment standards branch. Essentially what this legislation does now is, it does not—and I repeat, does not—end the 60-hour workweek in Ontario; it still permits it. In fact, all it does is add one additional step to the old process of getting consent from the employee and getting approval of the director.

If you put yourself in the position of the compliant employer—and, granted, I suspect the over 14,000 members of our association are compliant employers—what you've asked those compliant employers to do is comply with yet another bureaucratic approach to get the approval of a director of the employment standards branch. In our view, it is not a good step forward in trying to address what we call the bad bosses in Ontario.

Currently, as the chair of the provincial government affairs committee, I sit on the minister's employment standards action group, along with, I believe, the next presenter and a couple of others you'll hear from. We have consistently been saying to that committee and to the government that what we need to focus on is the bad bosses. Don't create more bureaucratic rules and

regulations for those who are compliant. Provide them with the flexibility, as opposed to throwing on more requirements for those employers. Again, we believe this legislation does nothing other than that.

I would also like to point out in the legislation a piece that we actually are supportive of, and that is a requirement for the employers to provide information to the employees about their rights under the Employment Standards Act. I will commend the government for recently introducing further information for employees in, I think, 14 different languages, an excellent approach that we have been supportive of. But let me also point out—and I recognize that this is not the bill that's currently before this committee—it is completely contradictory with the government's initiative last week to take away information from employees with respect to their rights to decertify, for example. So we're seeing conflicting messages with respect to, on one hand, ensuring that employees are advised of their hours-of-work provisions, but, on the other hand, saying, "You're not entitled to information with respect to certification or decertification."

Again, we just urge the government that if you are sincere about increasing the amount of information employees are provided, we should look at it more globally and ensure that we're providing them with all of their rights under all of the various statutes. Those are my comments.

We had proposed in our letter to the minister and to the ministry staff an alternative approach. That alternative approach allowed for averaging of hours over a period of time—we suggested a six-week period of time—to ensure that, if those hours exceeded 60 hours in any given week during that period of time, a permit would be required, as opposed to the current system that the government has reintroduced, which really was the cumbersome, complex and complicated system of a permit system years ago that employers, employees and trade unions, quite frankly, found to be outdated.

The Chair: Thank you very much, sir. We have about 10 minutes left for some questions. We'll start with the government, then we'll go to the official opposition and then to the NDP.

Mr Kevin Daniel Flynn (Oakville): Thank you, Mr Boniferro. I wonder if you could expand a little bit on how you see this new system we're proposing as being cumbersome. My understanding is that currently you don't need any approval to work between 48 and 60 hours a week. No director's approval is necessary.

Mr Boniferro: Correct.

Mr Flynn: As a government, we decided that, in our opinion, that's not in the best interests of the workforce and we've said that between 48 and 60 hours, you do need approval. The way you would get that approval is to make an application on-line. I fail to see how that would be cumbersome. I could see you maybe not agreeing with the policy; I can understand that. But I don't see how you could term that process as being a cumbersome one.

Mr Boniferro: I would say to the member that if you put yourself in the position of an HR professional, while

it may seem very simple today to say, "All you have to do is apply on-line and you'll receive it," it's probably one of another 150 approvals that the HR professional is having to deal with on a regular basis. While it may seem like, "Just go ahead and ask the government and they'll say yes," I would also flip that around and say, "Why are we requiring that if it's going to be that simple, just sending an e-mail and getting permission?" We suspect that the reason you're asking the HR professional to submit a form and seek the approval of the director is because in some instances and under some criteria that's going to be denied. If it's not, then it truly is a bureaucratic step that wouldn't be required.

The other thing I'll say is this: It requires that that be done on a regular basis; I believe it's every three years. The issue for HR professionals—and I think trade unions and most employers will tell you the same thing—is that every time you have to revisit these issues and get approval again, it creates a problem and a hurdle in the workplace, where there is balance already struck, it's working, the employees have consented to it and the employer has consented to it. You have to take a step back, we believe, and ask, "Why does the government need to step in again and ensure that that agreement is still enforceable?"

The Chair: Anything else, Mr Flynn?

Mr Flynn: Just one supplementary. I don't think anybody has implied—certainly I'm not implying it and I don't think we have implied as a government—that you would automatically receive an answer of yes when you applied. What I was saying is that the means by which you apply appear to me to be fairly simple when compared to other applications and processes.

You were talking about the earlier way of doing it. I understand there was a blue permit, a green permit and a gold permit.

Mr Boniferro: That's correct.

Mr Flynn: That sounds to me like something that is cumbersome.

1600

Mr Boniferro: Quite frankly, the application process was quite similar. It wasn't very hard to get. In fact, I can tell you that many lawyers probably became relatively rich over it, because you simply had to write a letter to the director, set out the facts and your client would be granted a permit approval. The complexity of it was this: Employees had no idea what it meant; what is a blue permit versus a gold permit? In the whole system itself, what you ended up with were workplaces that had permits that had been posted in the early 1980s that nobody ever revisited and said, "What are these all about and why do we have them?" So the issue, really, was one of the government and the ministry approving, as opposed to an issue of the parties agreeing.

As HR professionals, we're encouraging you to look at a system where, instead of getting director approval, you get the workplace parties to arrive at an agreeable consensus and an agreeable solution that will work for years to come.

Mr Flynn: One final and very brief question, and that's on the targeted approach to enforcement. Is that something you agree with?

Mr Boniferno: I'm sorry?

Mr Flynn: The targeted approach to enforcement—going after the bad guys.

Mr Boniferno: Yes, absolutely. In fact, we've been encouraging both the previous government and this government that we should be looking at targeting sectors and particular employers that are known violators of the Employment Standards Act, and leave the flexibility and the good bosses in Ontario alone so they can continue to prosper and create jobs.

Mrs Elizabeth Witmer (Kitchener-Waterloo): The minister is fond of saying that we need to go back to this system, because this is how we did it under Premier Bill Davis. I guess I would say to you, what is the difference between this system and the system under Bill Davis? At the same time—and I know you've referred to this already—why is it so important to continue to make changes to legislation?

Mr Boniferno: Let me start with your second question. I think the importance of making changes to legislation is to keep the legislation up to date with the modern workplace. Where the legislation and the process in the days of Premier Davis may have worked in the workplaces of the days of Mr Davis, I don't think we have to go very far—we could probably stay right inside the confines of these four walls—to show you that in fact the workplaces of today are very, very different than those of the days of Premier Davis. So we think it's important that, as HR professionals, we continuously suggest improvements to legislation which would allow employers and employees the flexibility to meet the challenges of the modern-day workplace. We think the system of permits and requiring government approval for hours of work are far outdated.

One final comment on your question that I would make is that the hours of work have changed. Where 44 hours and 48 hours before overtime were commonplace back in the days of Premier Davis, I think many of you will openly admit that you work many hours beyond that and that most of us work hours in our workplaces that are in excess of that. What we need to do is ensure that we have a system that allows flexibility on the one hand, while on the other hand protects those employees who may be subject to the bad bosses that I referred to. Quite frankly, in some of those instances, when we talk about bad bosses, we're talking about employers who are unaware. In many instances, you have a new business that has no idea the Employment Standards Act even exists. Those businesses should be the focus of your legislation.

Mrs Witmer: So if you take a look at the legislation before us and you take a look at what you're recommending, is there a need to totally repeal what's being proposed and introduce a new bill, or is this bill at all salvageable?

Mr Boniferno: There are portions of the bill that we would be supportive of. For example, we're very sup-

portive of the provisions that require employers to provide information to employees. Mr Flynn has identified the targeted audits and prosecutions that we are supportive of.

With respect to the hours of work, it's our proposal that those provisions be repealed and that there be amendments made that would provide for averaging of hours over a period of time. We've suggested a six-week period of time, and only in cases where those hours of work go in excess of 60 hours would approval of the director be required.

Mrs Witmer: At the end of the day, if those changes were made, then it would have the support of your group, Mr Boniferno?

Mr Boniferno: That's correct. We indicated to the ministry group prior to the introduction of the legislation, in our response to the discussion paper, that we would not be supportive of the legislation if it required director approval for hours beyond 48 to 60 but we would be supportive if it consisted of an averaging arrangement over a six-week period of time.

Mrs Witmer: Has your group had any conversations at all with employees who would be impacted by this legislation?

Mr Boniferno: In preparing our proposal for March 1, we had sent the discussion paper and our response out to all of our chapter liaisons, and I can tell you that that turns over into an e-mail process that gets out to all 14,000 of our members. We did have some response, and I can say that our paper is very strongly supported by those 14,000 HR professionals across the province.

The Chair: Mr Kormos, a quick question.

Mr Kormos: A short question in the context of what would be the fair portion of the time. Mr Boniferno, I want to understand—

Interjection.

Mr Kormos: Don't use up my time, then, Chair.

I want to understand this very clearly. You speak for HR people, I trust. Would you call yourself a spokesperson for the broader business-employer community?

Mr Boniferno: No. In fact, we at the HR Professionals Association of Ontario have taken pride over the years in being considered, at least from the ministry's perspective, as somewhat of a neutral stakeholder. We don't purport to be on the employees' side and we don't purport to be on the employers' side; we're on the HR professionals' side.

Mr Kormos: Neutral, impartial, and you're not enthusiastic about the bill as it stands now. Am I correct in inferring that from your comments?

Mr Boniferno: We, as an association, are very enthusiastic about the bill in the sense that as HR professionals we believe it's the wrong direction.

Mr Kormos: Ah. So you don't want to see this bill passed in the form it is?

Mr Boniferno: No, and I think we've made that clear, both today and in our letter to the government on March 1.

Mr Kormos: Because I'm going to be keeping track of the presenters. OK, so the Human Resources Professionals Association of Ontario does not want the bill to pass. Thank you, Mr Boniferno.

The Chair: Thank you for your presentation today.

EMPLOYMENT STANDARDS WORKING GROUP

The Chair: Next, I would like Mary Gellatly from the Employment Standards Working Group to come forward. Welcome to our committee this afternoon. You'll have 15 minutes, and any of that time that is not utilized we'll have for questions.

Ms Mary Gellatly: Thank you very much. The Employment Standards Working Group is a coalition of 30 community legal clinics and organizations that work with non-unionized workers in low-wage and precarious work. We work with over 25,000 workers in Toronto every year. We welcome the opportunity to address the standing committee on Bill 63 and the proposed changes to work and overtime.

In preparing for this conversation today, we asked people with whom we work about Bill 63, and the response was pretty much uniform that there really will be no change for low-wage and precarious non-unionized workers if this bill proceeds as it stands.

Take the example of Woody, who is somebody we work with, and over 300 co-workers in a cosmetics factory. For years they were working 50- and 60-hour workweeks continuously. They didn't get premium pay over 44 hours a week. They certainly were never asked to sign an agreement to work overtime. They were routinely penalized and fired if they refused to work over 48 hours a week. Occasionally, workers would be fired without just cause and they would find their way to the Ministry of Labour. On none of those occasions did the Ministry of Labour investigate what was happening in that workplace: investigate the lack of an agreement, investigate the reprisals, investigate the fact that people were working for \$7.50 without getting overtime premium pay. The employer was allowed to continue breaking the law, year after year, for hundreds of workers. If Bill 63 is passed without significant fundamental redrafting, the situation is going to continue the same for Woody and his co-workers.

1610

I want to spend just a little bit of time talking about some of the key problems that we see with Bill 63 for non-unionized, low-wage workers, and then make some recommendations for change that we think could help Ontario workers.

Minister Bentley tells us that the aim of the bill is to protect workers, particularly vulnerable workers, from being forced into long hours of work. He proposes to do this in basically two ways: to continue, on one hand, with the employer-employee agreements; and secondly, to bring in the approval process to the Ministry of Labour for what we call excessive overtime. He suggests that

these two things together are going to be sufficient to deal with the coercion of forced overtime that, in our experience, is quite rampant for Ontario workers.

The truth of the matter is, these measures are not going to protect workers from the exploitation that the ministry is seeking to address. In the real world out there, workers have to do what the boss asks or they lose their job. That's certainly the experience of the people we work with; that's certainly the experience of Woody and his co-workers. Non-unionized workers have no choice to refuse to sign agreements with employers. Without just-cause protection, a worker can't refuse to sign an agreement. Employer-employee agreements in non-unionized workplaces simply are not effective tools in regulating hours of work and employment standards and, as a central part of this platform, are fundamentally flawed.

Second, in our experience, we've had these employer-employee agreements since the ESA 2000. Frankly, a lot of employers aren't using them and the ministry isn't actually enforcing them. The majority of people we work with are required to work overtime beyond 48 hours when requested to do so. We've only had one worker come forward who actually said he was asked to sign one of these agreements. Employers aren't complying with them, in a lot of cases, because the ministry is not enforcing them. Again, we've had countless cases of people working excessive overtime beyond 44 and 48 hours, and in investigating those claims for unpaid overtime premium pay, the ministry is not investigating whether there were agreements in place, whether there was coercion or penalties for workers, in the cases where there were agreements, if workers didn't sign. They haven't been an effective tool in those cases where they're actually being utilized.

The minister told this committee last week that workers don't have the bargaining power to effectively say to their employer that they don't wish to work long hours. We agree with that. That's why workers need just-cause protection instead of agreements, so that the employer can't fire workers for refusing excessive overtime.

The minister went on, the last time he met with you, I believe, to address workers' lack of bargaining power and their basic inability to sign agreements, saying that he was going to return to the permit system, as part of the approval process, to address that. Yet the approval process considered by Bill 63 does not involve investigating those workplaces to see if those agreements are actually authentic representations of workers' choices, if they were coerced or if workers faced penalties.

In our mind, Bill 63 has to be totally amended to ensure that the Ministry of Labour is investigating each and every agreement between employers and employees to work excessive hours and that they were truly signed without coercion or fear of reprisals. Without this, the agreements are basically worthless and, indeed, the approval process will be basically a rubber stamp.

The third key problem for us around Bill 63 is returning basically to the pre-ESA 2000 permit system. There

were huge, widespread abuses. I'm sure people are familiar with the Ontario task force on hours of work and overtime that estimated that for every one hour worked under the permit, 24 hours of overtime were worked without a permit. To address this problem, the minister has promised to increase proactive inspections. There were about 350 proactive inspections last year; they're committed to 2,000 this year. But there are about 350,000 employers in Ontario, so basically what we're looking at is increasing employers' risk of being caught from 0.1% to 0.6%. There still is really no risk of employers being caught violating the law. We need a fundamentally new model of enforcement which brings enforcement of employment standards and hours of work into Ontario workplaces.

I don't have time, unless people are willing to give me more of their 15 minutes, but in the package I've passed around I want to draw your attention to a supplement outlining a strategy for bringing enforcement into Ontario workplaces. I encourage people to look at that, because I really think we have to move in that direction if we want to consider addressing the real problems facing workers with respect to hours of work.

Fourth, and finally, Bill 63 basically slices off maximum workweeks and overtime averaging from the overall package of hours of work provisions. This is bad public policy. You can't just take that out of the big picture shaping people's working lives. We're seeing a growing polarization of work lives. Some people have way too much work, some people don't have enough hours and people are increasingly in precarious kinds of work. This is partially responsible for the growing gap in income between the rich and the poor and, increasingly, a growing racialized gap. My colleague from TOFFE is going to speak more about that, but I'll just say that we need sound public policy development that locates hours of work within its whole framework and that really looks at how to reduce unemployment, relieves work stress and allows people to balance family and work lives. We see that Bill 63 is fundamentally moving in the opposite direction.

In terms of recommendations, I've got a few specific recommendations.

In looking at how to approach the hours of work issues, we need some fundamental principles. We would argue that those principles are the need to reduce maximum hours of work to enable people to balance their work life and their family responsibilities to actually become active and involved citizens. We need to ensure a healthy economy with jobs that can provide a stable income and a living wage. We need to address the rise in precarious and low-wage jobs that are increasingly gendered and racialized by regularizing and more equally distributing hours of work. Those are the principles we feel we need to begin guiding us in looking at a reshaping the hours of work provision.

A key part of that is to bring Ontario in line with what's happening in the rest of Canada, and that is people moving to a 40-hour workweek with overtime after that.

The majority of Canadian workers enjoy that provision, so we need to move to a 40-hour workweek and an eight-hour workday with an overtime premium after 40 hours.

In addition, when we begin to look at overtime, we have to look at excessive overtime being an exceptional circumstance and not the norm. In our mind, permits should be considered only when there are demonstrated efforts to recall employees on layoff, offer part-time workers more hours and hire employees. Only when those things have been satisfied should excessive hours work permits be considered.

Returning to government approval of excessive overtime, Bill 63 kind of stops halfway to the previous permit system. Under the previous system, workers retained the right to refuse overtime after eight hours or 48 hours per week. Bill 63 refuses to do that; they have to give two weeks' notice. There were also limits on permits on an annual basis. Bill 63 doesn't entertain that. We would argue that in setting up permits for excessive overtime in exceptional cases, we need clear annual limits per employee. We would argue that those annual limits should be set at 100 hours per year per employee. Annual permits must also set a weekly cap—for example, 50 hours per week—or, at the very least, a quarterly cap to avoid the bunching of overtime, which causes significant health problems.

1620

We also argue that workers must retain the right to refuse overtime each and every day. The two-week requirement in writing would cause significant problems for people if you have a family or if you have other obligations. You're basically putting people in a situation where they're going to have to choose between, "Am I going to risk losing my job?" or, "Am I going to deal with my family crisis that's arisen?" So that certainly has to go, in our mind.

The Chair: You have about two minutes left.

Ms Gellatly: OK. In coming toward the end—

Mr Kormos: That means you won't have time for questions. I want to be able to ask you if you want this bill to pass.

The Chair: Could you please continue? You have two minutes left.

Ms Gellatly: I will run through it very quickly. One of the strong things we'd like to see is that we have to get rid of the 30-day approval process currently being considered with Bill 63, because it doesn't involve investigating what's happening in the workplace and workers' real consent or lack thereof to working excessive hours. We need to certainly have just-cause protection so workers have a real right to be able to choose or not to choose overtime. We need anti-reprisals provisions strengthened.

Just jumping ahead, I guess the big thing, or one of the significant issues for us is that we want to see overtime averaging revoked in its entirety. Overtime averaging is a huge gift to employers; it does not benefit workers in any way. It's about people working longer hours for less pay. In our mind, it has to go, not only because it is a huge

cost to employees but, again, because it's bad public policy. It's about giving employers the power and control to have incredibly erratic work schedules, which are not healthy for workers, not healthy for workers' families, not healthy for our communities. So we would like to underscore that overtime averaging has to go in its entirety.

Those are our main recommendations. I've skipped over some; please look at them in the submissions I've made. We certainly urge the committee and the Liberal government to fundamentally rethink the approach on hours of work.

The Chair: Ms Gellatly, thank you very much for—

Mr Kormos: Do you want the bill to pass?

Ms Gellatly: Peter, what do you think? I think not.

Mr Kormos: OK, you've got to say it or—

The Chair: Thank you, Mr Kormos, for your commentary. Ms Gellatly, thank you very much for your informed presentation today.

TORONTO ORGANIZING FOR FAIR EMPLOYMENT

The Chair: I'll now ask the presentation of Toronto Organizing for Fair Employment to come forward. Ms Berinstein and Ms Singh, I believe.

Ms Juana Berinstein: Sonia Singh actually isn't here, so it's just me, Juana Berinstein, who's here.

The Chair: Thank you very much. You have 15 minutes, and any time that's not taken by your presentation will be open for questions. Please proceed, and welcome to our committee this afternoon.

Ms Berinstein: Thank you. Hello, everyone. My name is Juana Berinstein, and I'm here representing Toronto Organizing for Fair Employment. Our acronym is TOFFE, so when I refer to TOFFE, you'll know what I'll be talking about.

We're here because we feel it's important to stress to this committee that discussions about work hours have to be grounded in an understanding about the reality of work, which, for a growing number of people in this province, is a reality marked by insecurity and poverty wages.

First, though, let me just tell you a little bit about TOFFE. At TOFFE, we seek to improve the employment conditions of people who are engaged in non-unionized, low-wage and precarious work. We reach hundreds of workers every month through workshops and phone calls. The workers who come to TOFFE come from very diverse sectors.

At TOFFE, we work predominantly with women, racialized communities and immigrant communities. Many of us face a great deal of job and income insecurity as a result of the current labour market in which precarious jobs are on the rise. In other words, though most of us and most of the people who come through TOFFE would like full-time, secure and well-paying jobs, many find that increasingly only part-time, temporary, contract

and often low-wage jobs are available. Bill 63 will affect the workers who come through TOFFE.

The committee has just heard a presentation from Mary Gellatly of the Employment Standards Working Group. TOFFE is a member of the working group and supports the points for consideration and specific recommendations that Mary Gellatly made here today. So in the interests of time, my presentation is going to focus on one other key issue that we urge the standing committee to consider. Specifically, TOFFE would like to talk about the link between overtime and bad jobs and between overtime and underemployment and unemployment.

Both statistics such as the recent Atkinson report on jobs and the experiences of TOFFE confirm that work is increasingly being polarized into good jobs at one end and bad jobs at the other. Overtime and hours of work have a lot to do with this. I'd like to talk here about two trends that lead to bad jobs. First, many workers work too much. Bill 63, on the outside, seems to agree with this assertion but doesn't go far enough to protect workers against excessive hours of work.

Take Hong, for example; he's a member of TOFFE. He's been in Canada for less than a year. He has a master's degree but could only find work washing dishes at a restaurant in Little Italy. On paper, he was scheduled to work eight-hour shifts, six days a week, but he was often told to work longer, with no overtime pay. When Hong tried to talk to his boss about this, he was told that if he wanted to leave work earlier, he should work harder. So Hong and many other workers work overtime because they have no other choice, because they have little power in their workplaces and because they are afraid to lose their jobs if they refuse.

Another reason people work overtime, especially in situations where they do receive pay, is that their wages are so incredibly low. Many workers just can't support their families; they can't make ends meet on the minimum wage. In fact, hopefully most of you remember that last week Campaign 2000 released their report on child poverty, which specifically talked about this phenomenon of the working poor. On one hand, we have people who work too much and aren't properly compensated for their work, but on the other hand, we also have workers who come to TOFFE to tell us that they can't get enough hours of work to pay the bills.

Take Alice, for example, another member of TOFFE. She works as a personal home care attendant, but she has only been able to find work through a temp agency. This means she never knows how many hours she will work in any given week or in any given month. The temp agency just calls her when they need her. Sometimes they call with no notice at all, and Alice has to run out of the house, after having been awake all day, to work a night shift.

Like Alice, many workers tell us that they don't work enough, that they can't find full-time jobs even though they want to; they can only find part-time or temporary work. "Too much work on one hand, not enough on the other," this is what we hear at TOFFE all the time;

workers who are asked to work overtime and workers who can't scrape enough hours together. These two problems are interrelated.

The Donner report, which the Atkinson Foundation has recently re-released, shows that decreasing the number of overtime and work hours can lead to the creation of new jobs, that there is in fact a correlation between these two. However, this only works if people are compensated a living wage for their work, so that people do not have to work excessive hours to make ends meet at the end of the month and still have a decent standard of living.

Bill 63 doesn't do enough to reduce the number of hours worked or, as a result, to stimulate the growth of new jobs. For example, Bill 63 allows overtime averaging, which, as Mary Gellatly has already said, is not only a huge gift to employers but, further, doesn't stimulate the creation of new jobs—something that is surely needed in this city and province.

It is directly as a result of the experiences of workers at TOFFE that compels us to speak before the committee today. We strongly feel that Bill 63 does not adequately address the concerns of working people. Bill 63 does not adequately address the link between hours of work and quality of life. While some are overworked, others do not have enough work to support themselves.

It's hard when people can't find work to support themselves and their families. Indeed, the growing gap between rich and poor is directly related to hours of work. Research indicates that the redistribution of work hours is central to a redistribution of earnings. Some people are working very long hours while other people don't have enough hours of work. Ontario's unemployment rate hovers around 7%, and the rate of underemployment is much higher. As a society, we need to commit to an hours-of-work and overtime policy that reduces excessive overtime and supports the creation of good jobs.

1630

In Ontario, over one million workers put in extra hours with pay each week, totalling about nine million hours of paid overtime, which is equivalent to one quarter of a million full-time jobs. But instead of decreasing overtime and encouraging new job growth, overtime has been increasing over the last 15 years. That number is from Stats Canada. For hourly paid workers in manufacturing, the Stats Canada report shows that overtime has increased by more than half in the last 15 years. In some industries, overtime has increased while the number of jobs has stagnated or declined.

Furthermore, these long hours of work are damaging people's health. It doesn't take a rocket scientist to figure out that the more people work, the more exhausted they'll be and the more likely they are to be sick. In fact, we have reports to substantiate this. I hear this from workers all the time at TOFFE. They're exhausted and their health is deteriorating.

For many, working overtime not only causes exhaustion but raises the likelihood that they will be hurt on the

job. According to the Workplace Safety and Insurance Board, for example, temp workers have one of the highest rates of on-the-job injuries. Recently, one temp worker who called TOFFE told us that she had lost her finger in a machine in the factory where she worked. She is a temp worker. She was working 12 hours a day at the time, six days a week. Her assignment was constantly changing, so she was constantly being sent to different factories, different worksites. So it's no surprise, when we consider her exhaustion and the fact that she had to constantly learn how to use new machinery, that this resulted in a serious accident.

The phenomenon of increasing overtime is a serious social issue that creates work-life conflicts for working people. Workers feel overloaded by the demands placed on them at work and the challenge of having to balance these demands with family and community commitments. Many workers have told me about the injustice of working so hard and having such little time at the end of the day to care for themselves, their families and their communities.

I wanted to share some of the experiences of TOFFE workers and talk about interconnected problems about too much work and too little work, because they're an important factor to consider when writing legislation about overtime and hours of work.

Given the issues that TOFFE has raised today, we fear that Bill 63 is slicing off the issue of overtime from its broader context: the reality of work in the city and province today. It is not taking into account the serious problem of underemployment and unemployment, the growth of precarious jobs and the burden of excessive hours of work for low-wage earners. As a result, Bill 63 will lead to little real change for Ontario's workers, who will still be forced to work for longer hours at less pay due to overtime averaging, longer work days and permits that will allow for work beyond the maximum workweek.

Working people deserve better. Working people need a policy that allows us to spend less time at work. We deserve a policy that allows working people to work a full-time week and still live above the poverty line. We need government policy to create more good jobs and ensure that people's rights in the workplace are protected and enforced.

TOFFE feels strongly that discussions of work hours must also include a discussion of how people are compensated for their work. How much people work cannot be separated from how much they are paid for that work. This is especially the case for low-wage workers. When someone working full-time, earning minimum wage, still lives far below the poverty line, it is no wonder they feel forced to work overtime. It's just not fair. People who work full-time shouldn't need to go to food banks or live in substandard housing; no one should, for that matter.

In the 1970s, the minimum wage was sufficient to provide a family of three with a wage that would meet Statistics Canada's low-income cut-off line. That's no longer the case. Ask low-wage workers why they're

forced to work overtime, and they will tell you that it's because the wages are too low to survive on. We need a minimum wage policy that does not force people to work excessive hours.

Study after study has demonstrated that poverty is on the rise and that it is increasingly racialized and gendered. Some 31% of all women workers and 38% of women of colour in Ontario, for example, earn poverty wages, and 41% of recent immigrants, who arrived between 1990 and 1999, earn poverty wages in this province.

Working people—low-wage, non-unionized workers—will pay a high price for Bill 63. Some will work overtime in order to make ends meet, despite the toll this will take on their health. Others won't find anything but precarious jobs. Good social policy should strive to enable people to work less, not more, and ensure that people can afford to live above the poverty line without having to work excessive hours.

We urge the standing committee to consider the need to cut overwork and, as a result, stimulate the creation of more good jobs. Thank you.

The Chair: Thank you very much for your presentation. We have about two minutes left in this rotation. We'll go to the official opposition first. Mrs Witmer, do you have any questions?

Mrs Witmer: No, but thank you very much for your presentation.

The Chair: Mr Kormos, you're next.

Mr Kormos: Bless you. I'm trying to keep track of where the participants stand on this bill. The human resources professionals oppose the bill. They don't want the bill to pass.

The Chair: Mr Kormos, do you have a question for our presenter? A question please.

Mr Kormos: Hold on, Chair. The Employment Standards Working Group says no. Should the bill pass in its present form?

Ms Berinstein: No.

The Chair: A question please.

Mr Kormos: Don't get your knickers in a knot. I'm using my two minutes. We asked a question and we got an answer. God Bless. Thanks for coming here today.

No, this bill should not pass. That's three out of three so far. Maybe the OFL supports the bill; I don't know. We'll find out. This bill should—

The Chair: Anything further, Mr Kormos?

Mr Kormos: Hold on. I'm writing this down. This bill should not pass. OK. Thank you very much.

The Chair: We have 30 seconds left. I'll go to the government. A quick question, Mr Flynn?

Mr Flynn: I'm not sure if you were in the room for the first presentation, but the gentleman who came forward from the Human Resources Professionals Association said the bill went too far and it was too cumbersome. Presumably, Mr Kormos agrees with that. Where would you sit? Does the bill go too far? Does it not go far enough?

Ms Berinstein: I think the issues we're talking about are different issues. In terms of the kind of social policy that our members at TOFFE would like to see in terms of a work-life balance, this bill doesn't go far enough—

Mr Flynn: OK, it doesn't go far enough.

Ms Berinstein:—in that it doesn't actually create any significant changes from what is currently happening, which is that workers are essentially being forced to either work overtime or just don't have enough hours they can scrape together to make ends meet.

Mr Flynn: Is the status quo better, or is this proposed bill better? Does it make it worse, I guess would be the short question.

Ms Berinstein: It's a bad situation, and it's not being made any better by this bill.

The Chair: Thank you very much, Ms Berinstein, for your presentation today.

ONTARIO FEDERATION OF LABOUR

The Chair: Next, I'd like to welcome Mr Samuelson, president of the Ontario Federation of Labour, and Mr Chris Schenk, research director. Welcome, gentleman. Thanks for being with us today. You have 15 minutes, and in any time that's not taken up, we'll have questions.

Mr Wayne Samuelson: Thanks a lot. It's a pleasure to be back here at the Ontario Legislature talking about hours of work once again. I will try to be brief and allow some opportunity for discussion and questions, because our positions are pretty clear; we've given them to various political parties over the years. I want to deal a little bit with some of the issues that are dealt with, and that are not dealt with, in this piece of legislation.

First of all, this legislation, while it says it's getting rid of the 60-hour workweek, actually is not. What it does is provide for the 60-hour week by blending a permit system with a personal agreement system. So in effect, the 60-hour workweek isn't gone, it's just that someone has to ask the government before they work the 60 hours. As a public policy, the debate that should take place in this area is a debate about restriction of overtime, about ways that we deal with a growing contingent workforce that the previous speakers have spoken to you about.

1640

I can tell you that I get calls every day from workers who are in bad situations working a string of part-time jobs. Frankly, the debate that should take place is a debate about overtime and the fact that some people are working more hours just to survive.

I've got to tell you that when we saw the issue of a permit system, we looked for what the criteria would be for the permit system. We really didn't see them, except we did see some reference that there wouldn't be extensions for the 60-hour workweek unless the employer had lived up to employment standards and safety legislation, which is really interesting when you think about it. What it means is, the employer can work the employees more than 60 hours if they live up to this set of rules over here, which really doesn't make a lot of sense to me.

In effect, what has happened is, instead of really dealing with the issue, you've kept things like the Tory provisions for individual letters, you've kept the 13-hour day provisions the Tories brought in and you didn't deal with what we've always said needs to be in place, and those are fundamental rights and protections for people who are being exploited, primarily in non-union workplaces, for just-cause protection.

I want to zero in on overtime averaging. I can't understand why you didn't deal with this. Instead, you've actually made it worse. As you will know, before the Tories changed the laws, it was pretty easy to understand. If you worked more than 44 hours, you got time and a half. The Tories brought in this thing where you can average it over four weeks.

Our reading of the bill is that you can get a permit and now you can average it over a year, but you can only do that if you don't break a whole bunch of other rules. Why you didn't simply look at how you pay overtime and look at what had been in place in this province for many years and adopt that system is beyond me.

Let me just say bluntly that what you need to do is get rid of all of the previous Conservative averaging provisions. Let's talk about a workweek of 40 hours, not 44. Let's have some criteria and really play a role in getting rid of excessive overtime so that more people can share the good-paying jobs that are out there.

I'm sure the previous speakers, although I didn't hear them, talked about the need for more enforcement. I got another call yesterday from 19 workers who have been trying to get paid for a year by an employer who shut down the store in one place and opened up down the street. Frankly, we should look at some just-cause protection.

I'm going to let Chris deal with a technical change we've been trying to convince the government to adopt, and then I'll be pleased to hear some questions.

Mr Chris Schenk: Just one further point, and that is, in our view, there's an unintended consequence of Bill 63: It blurs some of the differences between how the act works for non-union employees and how it works for unionized employees.

For unionized employees, generally, the union and the employer negotiate overtime provisions etc. Here we have the added provision for averaging of overtime. In our view, it's not clear, but it should be, that for averaging, the union is also the party that needs to be dealt with, not the individual. There's a loose piece of paper stuffed in our submission that we gave to you, and we would draw your attention to it. It provides what we think is clear language to rectify that concern.

Mr Samuelson: I'm anxious to hear your stimulating questions.

The Chair: Thank you, gentlemen. On this rotation, Mr Kormos is first.

Mr Kormos: I'm going to be very brief. I want the government members to have all the time they need with you.

I'm just keeping a list here. You're the fourth presenter. The first didn't support the bill. The second doesn't

want the bill to pass. Does the OFL want this bill to pass in its present form?

Mr Samuelson: No. We should send this back to the drawing board.

Mr Kormos: Excuse me, Chair. "OFL: This bill should not pass."

Please, Chair, let the government members just tear these witnesses to shreds with their scathing questions and observations and challenging cross-examinations.

The Chair: Do you have any more questions, Mr Kormos?

Mr Kormos: Obviously not. I just ceded the floor to the government.

The Chair: I just wanted to make sure. I want to make sure everybody's treated with fairness here.

We next have the government side. Mr Flynn, please.

Mr Flynn: I appreciate the presentation. In 2.2 of the presentation you're saying, "Bill 63 allows 60-hour workweeks and more," which is true. Is there anybody within the membership of the OFL to which that would be a peculiar requirement of their job or trade? Are there certain trades that do, from time to time, have to work—

Mr Samuelson: Absolutely.

Mr Flynn: Which ones would they be?

Mr Samuelson: I was one of those workers when I worked in the plant. You talk about our membership of maybe 650,000 or 700,000 members. There certainly are situations where it makes a lot of sense, where it's absolutely required to work long hours, a long day. I'll give you an example.

I worked in the maintenance department in a tire factory that required steam in the winter. If the steam line froze and you started to thaw it, you couldn't stop until it was all done.

That's not what we're talking about here, and that was covered under legislation for years. There was no averaging of overtime. There was no scam by the government and employers to make people work for less money. If the suggestion is that somehow because there are a few examples where people in fact are required or must work excessive hours, that's fine, but that's no excuse for bringing in legislation that's going to impact hundreds of thousands of people.

Mr Flynn: Just so I understand, then, do you want the change made to allow those groups to still be accommodated, or do you want the change made that would prohibit them from doing what they're able to do now?

Mr Samuelson: Which groups?

Mr Flynn: The group you're talking about. I guess it was—

Mr Samuelson: Those handful of people in the plant?

Mr Flynn: Yes.

Mr Samuelson: The plant I worked in, 1,000 people worked there. This probably applied to six or seven people once or twice a year. I think any reasonable person could understand why you would need a provision in law to provide for that small example, but that doesn't require a law that says, "You can apply for a permit. By the way, there are no criteria except you have to be

good.” That’s what our understanding of the legislation is.

Mr Flynn: OK. You were talking about a specific job you were doing within a company. There are no specific trades to which 60-hour weeks—or people who move on to a project and just want to get it done quickly and move on?

Mr Samuelson: There are examples of that, which I’m sure you’ve heard of, in bush camps, things like that. The people who were here before me were talking to you about people who are being abused, being exploited. It’s happening every day. They call my office. So if you want to point to a few examples where someone’s in a bush camp in Atikokan and wants to work some excessive hours so they can get out of the bush, then that’s fine. It sounds like that’s where you’re going. But trust me, with laws like this, which open the door for a permit system without criteria, what you’re going to do is lead to people in—I’ll just pull an employer out of the air—call centres, having someone work 13 hours one week, 48 hours the next week, six hours the next week, 57 the next week, and averaging it so they don’t have to pay any overtime. That’s exactly what the impact of your legislation will be.

Listen, don’t take my word for it or the people who spoke before. We’ll be bringing you examples in a little while.

Mr Flynn: I have no reason not to take your word for that.

Mr Samuelson: OK.

Mr Flynn: I did have a question: When you’re asking about overtime beyond the weekly maximum, is your reading of the bill that you would be allowed to average for a year?

Mr Samuelson: Yes.

Mr Flynn: So we need to get that clarified.

Mr Samuelson: I think you should get rid of the averaging. Averaging was a bad Conservative idea and I think it’s an equally bad Liberal idea.

Mr Flynn: We agree on the enforcement aspect.

1650

Mr Khalil Ramal (London-Fanshawe): What about averaging time? In some situations, like people who work in health care, health care providers, averaging time works well for them. Myself, I worked with community and social services in a facility. I was required to work 12 hours one week and a shorter time the second week. So over the month or over a couple of weeks’ time, it would be averaged and it wasn’t considered overtime. So how do you consider that?

Mr Samuelson: You’re going to have to explain to me why, for years in this province, we had laws that said if you worked more than 44 hours a week, you got overtime pay. Now we’ve got a law that says you can average it. So you can work 44 hours one week, 12 hours the next out of 48 and not get overtime pay for those four hours. That’s the change that took place and the change you’ve continued.

So what you’re saying to me is that workers out there are going to say, “I guess that’s a good point. I don’t want that overtime pay for those four and a half hours or four hours.” In effect, that’s what you’re saying. You’re passing a law that’s taking away this overtime pay that people have had access to for years. I’m sorry, the previous government took it away, and you’ve continued down the same road. I don’t understand. I would argue that it should be 40 hours, but I don’t understand why you didn’t go back and get rid of the overtime averaging. That would have been the real change.

Mr Ramal: We’re talking about the nature of the job requiring that continuous service.

Mr Samuelson: The employer might require it. For the worker, if you’re going to take somebody and disrupt their life to that extent—“By the way, you can work 12 hours one week and 48, and then 16”—maybe you’re going to have to pay them some overtime if they work excessive hours in one week. You can’t average it out. I mean, people have commitments.

What it does, frankly, is force employers to figure out ways to make sure that people aren’t working 48 hours one week and 13 and 56 the next. These employers, my gosh, can build buildings and cars. They can figure out how to make sure people aren’t working—

Mr McMeekin: A good computer program can do that.

Mr Samuelson: Sure, they can do it, but they can do everything. You know what? You could have done it, and you still can. I have faith that you’re going to—I’ve known Kim Craiton a long time. He’s a great guy who understands these issues, I’m sure.

Mr Kim Craiton (Niagara Falls): Thanks, brother.

Mr Samuelson: I’m sure, on reflection, he’ll whisper in my good friend Kevin Flynn’s ear and common sense will prevail. I can sense it.

The Chair: Thank you for being with us today. Your presentation was very informative.

Mr Samuelson: Thank you.

Mrs Witmer: Excuse me, Mr Leal.

The Chair: I’m sorry. Time was up, but if you had a quick question—

Mr Samuelson: That’s not very fair.

Mrs Witmer: We’re all entitled to the same—

The Chair: Quickly, Mrs Witmer.

Mrs Witmer: I just want to congratulate Wayne for being here today. I guess the one thing I would say to him, having known him for a long time, is he does have a sincere commitment to the workers in this province. I think some of the points that he’s made point out that this legislation certainly isn’t going to meet their needs. As we see it now, there seems to be nobody in the province who’s happy with this legislation. So maybe Mr Craiton can prevail on Minister Bentley to change it and withdraw it.

Mr Samuelson: I’m going to be watching for Kim to be sneaking up to talk to Bentley and try to convince him.

The Chair: Thanks again, gentlemen.

Mr Samuelson: Thank you very much.

JUSTICE FOR CAMPUS WORKERS

The Chair: Justice for Campus Workers: I believe Mr Hill is here. Welcome, and you have 15 minutes.

Mr Jonathan Medow: Thank you. I'm Jonathan Medow, a student at the University of Toronto, and this is Matt Hill, an alumnus of the University of Toronto. We are both members of Justice for Campus Workers, a branch of the Ontario Public Interest Research Group at the University of Toronto.

Justice for Campus Workers is a University of Toronto student group founded in September 2004 to mobilize student support around the issue of University of Toronto cafeteria workers living in poverty. There are about 200 non-union cafeteria workers on the university campus who work for Sodexho, a company that has an operation in this very building. Working for this food service contractor, most workers are making \$8 to \$9 an hour, in some cases after 12 to 15 years of work.

Sodexho wages are poverty wages. There is currently an organizing drive underway by Sodexho cafeteria workers and UNITE HERE to get Sodexho to voluntarily recognize UNITE HERE as a collective bargaining agent. Seventy percent of workers have signed a public petition asking Sodexho to voluntarily recognize the union. At this point, Sodexho has refused to recognize the union, and the University of Toronto has refused to intervene on behalf of cafeteria workers.

Through our experiences working on the Sodexho campaign, we have become very interested in issues facing unorganized labour. While the Employment Standards Act is the floor standard for all Ontario workers, it most profoundly affects unorganized labour. We applaud the current Liberal government's intention to re-evaluate changes made to the ESA under the previous government; however, we have some serious concerns.

This is an opportunity to bring labour standards in Ontario up to speed with many other parts of Canada. While our presentation today will focus on the effects the ESA has on individuals primarily, we would like to briefly mention the importance of ESA reform in light of the current situation of unemployment and the growing problem of underemployment in Ontario.

A strengthened ESA is likely to be a vehicle for encouraging a more equitable distribution of work hours, increasing the number of full-time workers in the province. At a time when many people work multiple jobs in order to get by, encouraging better distribution of work hours should be a priority. In light of this situation, we urge the province to re-evaluate many of the aspects of Bill 63. The current government has said they wish to reinstate some of the protections for workers in the Employment Standards Act. Our group supports this government's intention to strengthen the Employment Standards Act, but believes that Bill 63 does not go far enough to (a) protect the rights of non-union workers to refuse unwanted overtime, and (b) protect the rights of non-union workers to receive overtime pay without averaging.

We urge the government to reconsider some of the proposed changes to Bill 63, especially in light of the power relations that we all know exist at work. We know the system of voluntary acceptance of overtime work is not adequate.

Mr Matthew Hill: My name is Matthew and I'll present the rest of our group's submission.

In terms of background to the recommendations we have for changes to the Employment Standards Act, Bill 63, in terms of hours of work, amends the Employment Standards Act to prohibit employers from requiring workers to work more than 48 hours a week without the written consent of the employee and ministry approval. This is an improvement over the previous legislation. We feel the main weakness of the new legislation in regard to hours of work is failing to remedy the power imbalance between employers and employees when coming to agreements about working more than 48 hours a week.

In terms of the imbalance of power between non-union employees and employers, the main threat in any non-union workplace is the threat of layoffs or other reprisals when you refuse to agree to change your conditions of work. Non-union employees rarely have much choice in agreeing or disagreeing to proposed changes to hours of work. In Ontario, employers have the ability to lay off employees without any explanation when providing either notice or severance in lieu of notice. This gives employers a powerful tool to get what they want from workers, as the threat of being laid off is implicit in many so-called voluntary changes to hours of work and conditions of work.

Beyond being laid off, there are all sorts of other reprisals that any company can use to coerce non-union employees into agreements. We've seen a lot of examples of subtly coercive types of company behaviour during the current union drive among cafeteria workers at U of T, and these are the same kinds of tactics that companies will use to get their non-union employees to agree to excessive overtime. The practices we've seen so far are getting your hours cut, so if you refuse to work more hours, they'll cut your hours; transfers of workers to new work locations without explanation, so they keep moving you around the campus to try to discourage you from being pro-union; creating a chill in how they deal with pro-union workers. Say one worker was taken aside by her manager during a union drive and told, "None of the other managers want to work with you, so you're going to have to work with me." It's sort of implicit that it's not going to be much fun working there. Recently, a couple of workers were arbitrarily suspended and then were reinstated after students complained, asking why workers were suspended. Many workers who are unpopular with management get very small raises each year. In some cases, some workers get four-cent-an-hour raises each year, so basically they're being discouraged from sticking around. That would apply also to workers who are being encouraged to work excessive overtime.

1700

Even if you work for a public institution, there is often excessive contracting out of services. So you can have

some workers who are protected by unions and have professional human resources departments that will deal with them appropriately; then you can have other workers at the same location, like at U of T, who work for contractors that are ruthless in their approach both to unions and to their employees.

In all of the cases we've mentioned in regard to these union drives, these are all subtle things we can't prove or relate to the union drive, but it seems there's a practice. We think these things would also apply to any company that wants to coerce their non-union employees into excessive overtime, particularly with private contractors or subcontractors where the big institution and the contractor can say, "That's not my problem; that's the other guy's problem."

Currently, Sodexo food-cafeteria workers at the university are not being asked to work more than 40 hours a week, so our critique of this bill is more general in terms of how it affects non-union workers across the province rather than the situation we're working in. But we can see that confusion over hours of work is prevalent in food services. In some food service locations on the U of T campus, workers get their hours cut arbitrarily and it becomes more difficult to get by. In other food service locations, workers are regularly kept one hour past the end time of their scheduled shifts due to the volume of work. In terms of employers, rather than hire more workers or allocate current workers more effectively, they'd rather force current workers to stay later without advance notice to keep labour costs down.

In terms of excessive overtime, it really conflicts with family responsibilities—parents, elder care givers. Excessive overtime can also affect an employee's ability to hold down a second job. When you're being paid so little—in the case of the workers we're working with, \$8 or \$9 an hour—many of the workers need to hold down a second job, even though that affects, once again, their ability to be caregivers to their family. But they're not able to figure out when they can actually have that second job, because on some days their hours are cut and on other days they are being forced to stay late. Their ability to hold down a second job becomes compromised. It's a Catch-22: They might agree to excessive overtime if it were available, but because they don't know when it will be available or not available, they don't know if they should get a second job or not get a second job.

In the act that the Liberals have advocated for, it says employers can revoke excessive overtime agreements "with reasonable notice," but it doesn't actually define what reasonable notice is. I think that should be clarified. If you've agreed to excessive overtime, how much notice would the company give you if you're no longer needed to work the excessive overtime?

In terms of a concrete recommendation that we would ask to be put into Bill 63, we think there should be protection from employer reprisals for employees who do not agree to excessive overtime. We're in agreement with the Ontario Federation of Labour that an anti-reprisal section needs to be included in Bill 63 in order to give

some meaning to the so-called "voluntary" agreement of non-union workers to work excessive overtime.

We support the inclusion of two measures in Bill 63 that aren't there right now:

We think there should be interim reinstatement of workers. In cases where non-union employees complain to the Ministry of Labour that their suspension or termination is related to refusing to agree to excessive overtime, the worker should be reinstated while the complaint is investigated by the ministry.

Our second recommendation in regard to that is just-cause protection. In these same cases where non-union employees complain they've been suspended or terminated for refusing to work excessive overtime, the employer should have to prove to the ministry just cause in the suspension or firing of the employee when a non-union employee makes such a complaint. With unionized workers, they already have grievance procedures to protect them. We need the ESA beefed up to protect the vast majority of workers in the province who don't have union protection.

We're also puzzled by the averaging of overtime in the act. We fail to see why averaging of overtime is required, either under the previous act or under the amendments of Bill 63. When workers voluntarily agree to long hours of work, they should be compensated with overtime pay past a certain number of hours per week without averaging. The current legislation, like the previous legislation, still allows for excessive averaging. It just changes some of the mechanics of how it's agreed to.

We totally believe that overtime hours are often necessary for business reasons to accommodate periods of high demand and production. We also feel that overtime is often desired by employees as well, because they need the income. But the fact that a company needs more people to work longer hours and the fact that a worker wants to work longer hours—we don't see the policy connection between that and what you're paid for those longer hours. If you've agreed to work longer hours and your company wants you to work longer hours, they should pay you more for those longer hours, time and a half, like it was before the Conservative legislation. So there's no policy connection between, "We've got to produce more widgets," and the need to average overtime and how to pay for those widgets to be produced. It's just a gift to the employers, really.

Our second recommendation on Bill 63 is that there should be no averaging of overtime. Our group recommends that there be no provision for averaging of overtime in Bill 63.

We're now open to questions, if you like, and we'd like to thank you for taking the time to listen to us.

The Chair: Thank you very much for your presentation. We have about six minutes or so left in this rotation. We have the government side first. Ms Wynne, please.

Ms Kathleen O. Wynne (Don Valley West): I just want to ask a couple of questions. First of all, I think you

addressed it, but with many of the items you raise you're not making a direct comment on Bill 63. You're talking about other issues to do with workers in terms of some of the things that Sodexho has done specifically. So you're not expecting that Bill 63 would address those issues.

Mr Hill: No. We're saying that the kinds of reprisals companies make during organizing drives are the same kinds they would make against employees who refuse to work excessive overtime because they've got a second job or they have to look after their sick grandmother.

Ms Wynne: OK. The second thing: If there's a continuum between a bad situation for labour—which I think was produced by the previous government; we might agree with that—and a good situation for labour, does this bill move us at all along that continuum toward a better situation for our workers? You need to know that certainly the intention of Liberal members is, as with so many sectors, to improve the situation in Ontario that was made so difficult for people in the previous regime. Can you just talk about where on the continuum this bill might take us?

Mr Hill: We found the bill overly cautious. The Liberal government has a big majority, and there's no reason to be timid. Labour protection was probably better under the Bill Davis government than what you're proposing in this new bill. You have authority. You've moved slightly ahead with this bill. But be bold; move further ahead. There's no reason to be so timid with this bill.

Ms Wynne: OK. I just wanted to be sure that we're moving in the right direction, from your perspective. We haven't gone far enough, which is what I hear a number of people saying, but we are pointing in the right direction. The ship is being turned around. Is that a fair statement?

Mr Hill: It's more like the ship has come to a stop.

Ms Wynne: OK. Thank you very much.

The Chair: Mr Ramal, please.

Mr Ramal: I and my colleagues thank you for coming here and presenting for us your comments about Bill 63. I was asking a question to the previous presenter—you're talking about averaging. If you're averaging, sometimes you work 48 hours and the second week you work 32 hours. Basically, it's working for a lot of people. A lot of employees want that system because they can take three or four days off at the end of the second week as compensation for working an extra eight hours the first week. Don't you think it's a good mechanism to be applied in certain sectors of our workforce?

Mr Medow: I guess what we don't understand is why some standards apply to the week alone and other standards can be stretched across weeks. We just don't see—

Mr Ramal: Because of the nature of the work. If you're working in health care, for instance—nurses or support workers—sometimes it requires a shift from 7 to 7. Do you see what I mean? You cannot cut them off at eight hours and go back, like 3 pm to midnight and midnight to 7 o'clock in the morning. So people would

rather work from 7 pm to 7 in the morning, a continuous shift, because of the nature of the work.

Mr Medow: We feel it's very important that overtime is calculated on a weekly basis. If a worker is working overtime within the period of a week, in most situations we feel it would be appropriate to be calculating overtime in this way.

The Chair: Mr Arnott, if you have any questions, and then Mr Kormos.

Mr Arnott: I would argue that the ship has run aground, but I might not yet have unanimity on this committee.

Ms Wynne: You'd be wrong.

Mr Arnott: I certainly want to express my appreciation to your organization for making a presentation this afternoon and compliment you on your articulate and constructive approach. You've done a great job representing your views.

Our party believes that the labour laws in the province of Ontario have to be fair and balanced for all concerned and, at the same time, we have to have a labour law climate that encourages the growth of new jobs through new investment. I'm sure you monitored carefully what the Liberal Party said during the recent provincial election about this so-called 60-hour workweek that they had criticized the former government about. What did you understand was their commitment at election time in terms of this issue? What were you expecting they would do on this issue once they got into office?

Mr Hill: We expected them to end the 60-hour workweek. I think Wayne Samuelson earlier on said there may be some workers in some cases who need to work more than 60 hours a week, such as in bush camps or as railroad labourers; I was a railroad labourer. There are clearly situations where you may need to work more than that but, in those cases, you usually have union protection.

What the people from TOFFE were saying earlier on is that the people who are going to use these laws are people like call centres, contingent labour, food services—people who actually need a lot of protection, where it's not the case of the bush camp or the railroad labourer.

We expected that the Liberals would set a much higher standard or bar for agreeing to excessive overtime.

Mr Arnott: Cutting right to the chase, do you think the government has kept its promise or not?

Mr Hill: Not really, no.

Mr Medow: We also don't feel that this process is over yet, so we wouldn't necessarily be so quick to decide.

The Chair: Anything further?

Mr Arnott: Thank you very much, no.

Mr Kormos: I've got to be brief because the Chair gets excited. He's an excitable Chair.

I've been keeping a tally, as you know—one, no; two, no; three, no; four, no. Are you folks recommending that I support this bill that keeps 60-hour workweeks, that keeps averaging and that has the employee agreeing to

work overtime—it's really not that meaningful when it's either under economic coercion or the power of a boss to fire you. In the total scheme of things, should I be voting for this bill or voting against it?

Mr Medow: We would recommend that you vote against it.

Mr Kormos: What about other members? Should they vote against it as well?

Mr Medow: I would say so.

Mr Kormos: That's five out of five, Chair. Thank you, gentlemen.

The Chair: Thank you very much, Mr Kormos, for keeping a tally for us.

Interjection.

The Chair: It's very helpful.

Mr Hill and Mr Medow, thank you very much for coming.

Just to let committee members know, our 5:15 presentation by Henry Evans-Tenbrinke cancelled. Our next presentation will be at 5:45, so maybe if we have a short recess, hopefully Consuelo Rubio will be here a little early and we can get started. We can have a 15-minute recess, and could we come back at 5:30.

The committee recessed from 1714 to 1740.

CENTRE FOR SPANISH-SPEAKING PEOPLES

The Chair: We'll bring the committee back to order. Welcome, Ms Rubio. You have 15 minutes. Any time left over we'll have for questions from the committee.

Ms Consuelo Rubio: I've provided a copy of my brief. I tried to put something in writing so you have something to refer to.

As you can see, I work at the Centre for Spanish-Speaking Peoples, which is a community organization that has been around for about 30 years. For the past 25 years or so, I would say that the bulk of my work has been with vulnerable workers, particularly cleaners, factory workers, restaurant workers and farm workers. I believe that, with that experience, we're well-placed to comment on the bill, particularly with respect to the 60-hour workweek, and also on enforcement and monitoring of the Employment Standards Act.

I'm sorry that the minister isn't here today, because I would like to start by saying that we were very encouraged by some of the changes we saw at the Ministry of Labour initially. In particular, we were pleased to see their multilingual strategy and the fact that educational materials were being made available in languages other than English or French. The people we work with, as you can see from my presentation, speak Spanish.

We were actually looking forward to changes to the Employment Standards Act, in particular with respect to hours of work. We were vocally opposed to the amendments or sweeping changes to the Employment Standards Act in 2000 and even earlier in 1995-96. We were extremely disappointed to hear that the ministry had in fact decided to keep the 60-hour workweek and just make some little tinkering administrative changes so it would appear that things would be a bit more difficult for

employers with respect to obtaining consent from workers and monitoring that.

I have to say that every time I've met with Minister Bentley, I and other advocates for vulnerable workers have tried to express to him how opposed we are to the 60-hour workweek. I'm even more disappointed, because I understood that part of the Liberal platform, when they were seeking election, was to repeal the 60-hour workweek, not to make administrative changes so that making workers work a 60-hour workweek would be a bit more difficult. We feel that the bill just continues to legitimize abuse and exploitation of those workers that the Ministry has so many times vowed to protect.

Last Monday, I was in the room when the minister spoke about the changes and how the new system in place will be monitored and that enforcement, in cases where workers don't want to work those hours, will be swift. In all honesty, that would certainly be a change, both for the current administration and for those that preceded it. In any administration, we haven't seen enforcement as something the Ministry of Labour has devoted a lot of time or effort to.

Legislative changes with respect to reprisals in the Employment Standards Act, 2000, didn't translate into enforcement at our level. The reprisal changes, which were touted as a great protection tool for workers, have hardly, if ever, been used since their introduction.

We want to share with the committee what the 60-hour workweek has brought to our communities. Again, this is anecdotal evidence, but nevertheless, I think, very valid. Firstly, as the committee has undoubtedly heard many times today, workers do not refuse to work overtime because of fear that they'll lose their jobs if they do. The fear is not irrational. They have seen their co-workers being let go, and they do not want to be the next. In fact, I was a bit delayed today because today was my day to do intake at work, and just before I left a man came to see me who had been working 100 hours a week in 2001-02. Unfortunately, he is too late to make any claims under the Employment Standards Act. Working all those hours ended up in his having an industrial accident; basically, he was too exhausted to continue working. This is not an unusual thing. We see that regularly.

More and more often, we hear of families that can no longer supervise, care for or assist their children with their homework. We've heard of the troubles in our schools and, in some communities, including mine, a very high rate of school dropouts. I really cannot help but think that excessive hours of work by parents and poor school performance of our youth are related. We advised previous Ministers of Labour that this would happen and were accused of being like Chicken Little, a favourite expression of Minister Bentley's predecessor, Mr Stockwell. Every time I met with Mr Stockwell, that's what he called me.

Mr Kormos: That's what Bentley calls you too.

Ms Rubio: Time proved us right after all.

We have heard from other groups that even the agreement system is not used by employers. Generally, we

agree with that assertion. Ever since the 60-hour workweek was introduced, most of the time employers ignore even getting the consent of the workers and just make people work as many hours as they please. But we also have some direct experience with employers who have sent supervisors to the plant floor with 60 hours and averaging agreements and demanded that workers sign right there or else. Everybody signed. Those agreements aren't worth the paper they're written on; nevertheless they have held when there's been some scrutiny from the Ministry of Labour.

We're not comforted by the fact that ministry approval has to be sought. I suspect that the approval will be practically automatic. It would appear that while investigating claims takes at least two months—if you're lucky—those agreements will be approved quickly, and approval may be obtained by electronic means, fax or mail.

We are told that employers who have previously been found breaching the act might be denied permits. I just want to know how the ministry is going to monitor this when we're aware that there is no province-wide structure to track violations of the act. I'll give you an example. Just about a year or so ago, we were involved in a case and represented several workers from the same workplace. For reasons that we don't know, some of the files were sent out of Toronto: some to Peterborough, some to Ottawa. The officers in charge of investigating the files outside Toronto were not aware that the employer in question was a repeat violator who had routinely ignored the overtime provisions of the act. The Employment Standards Act provides for stiff penalties. I understand that in those cases, this did not happen. I believe this is a good example of good intentions and no action.

I thought I would end by mentioning farm workers, because I think they require special mention. As some of you know, many come to Canada under a special program, and they come mostly from Mexico and the Caribbean. Mexican workers have a special contract they sign before they come to Canada specifying that they must work a certain number of hours per day: eight. Those of you from that area, correct me if I'm wrong: Tell me if you know of any farm workers who work eight hours a day, five days a week. As you also know, farmers may request that they work more hours and farm workers may consent to work more hours; many of them want to work more hours. But in my experience and that of all of the farm workers' advocates I have worked with, those agreements are not respected. In fact, I have witnessed farmers coming around and rounding up workers to complete work on Sunday afternoon, the only day off most of them have. Although those workers fall under provincial jurisdiction, we have seen zero involvement by the ministry in preventing abuse or conducting proactive investigations. That's another example of how agreements in writing do not protect vulnerable workers.

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Lastly, we're opposed to overtime averaging and call on the minister to repeal this particular provision. At the time this was introduced, we called this a great gift to

employers, and after all these years, we're more convinced than ever that it certainly was. People earning \$7.15 per hour do not want time off instead of overtime pay. They want the money to be able to provide a better living for their families.

We're confident that repealing both the 60-hour workweek and the overtime averaging will not have the chilling effect on business predicted by the opposition. Rather, these two measures will certainly restore the modicum of equity and equality to workplaces that is so sorely needed.

The Chair: Mr Arnott, you're first. Do you have any questions?

Mr Arnott: Yes, I do. Thank you very much for your presentation. You mentioned at the outset of your presentation that the members of your organization at times have difficulty facilitating access to educational materials for workers who do not speak English or French. Of course, the two official languages in Canada are English and French. By and large, we use English in terms of our commercial relations and our public life in Ontario, and French is very important, although it's not a second official language in Ontario, though for all intents and purposes, it probably should be.

Ms Rubio: There are practical considerations. Sir, with all due respect, you have to deal with reality. In Toronto, about 50% of the people do not speak either of the two official languages. I think you have to get used to the new realities of this country.

Mr Arnott: You're misunderstanding what I'm trying to get to. I was going to ask, what more can we do to make sure that people who don't speak French or English have an opportunity to learn what their rights are as workers? I was wondering if you'd give us some concrete examples of what kinds of obstacles your members run into because they don't have the opportunity to get this information in Spanish?

Ms Rubio: I think the minister has taken some initial good steps, but more needs to be done. Many of the materials are available only by electronic means, and not everybody has access to that. I think the ministry should have campaigns; I mean going out into the field and just delivering educational materials to community organizations, providing information in the newspaper and so on.

Mr Arnott: The government members are nodding their heads and saying they're doing that, but obviously there's a disconnect here, because we've heard that more needs to be done. I'm just trying to get to the bottom of what exactly needs to be done. Hopefully, some dialogue will ensue and the ministry will respond.

Ms Rubio: There is also a second element of this. We should look not only at providing these materials in the languages, but also at the fact that the Ontario government has pretty well bought out of English-as-a-second-language for immigrants, and I think it's important that they continue. That's an investment you're making, because in the long term a more fluent workforce makes for better communities.

Mr Arnott: I agree. The faster someone can pick up the language when they come here, the better.

Ms Rubio: That is both the federal and the provincial government. I don't want to leave the federal government out. They're moving out of the English-as-a-second-language business.

Mr Arnott: Just in conclusion, I would agree that we need to do more, and I would encourage the government to consider what you've said.

The Chair: Mr Kormos, you're next in the rotation.

Mr Kormos: Thank you very much for your comments. I come from down in Niagara region, so I'm very familiar with the Mexican and Caribbean workers who come to Niagara, as they do to other parts of Ontario—

Ms Rubio: Virgil.

Mr Kormos: You've got it. I'm also very familiar with the UFCW, of course, with their seasonal office down there doing advocacy. Really, part of the answer is letting agricultural workers organize into trade unions and collectively bargain, isn't it?

Ms Rubio: Yes. I agree with you.

Mr Kormos: I'm sure you don't find it at all humorous that these workers are denied the right to organize into trade unions.

Ms Rubio: No, not a bit. Every time we talk about unionization of farm workers, the example of the family farm is brought out. In fact, those of us who actually work with farm workers are very much aware that the family farm as we know it is going. There are agribusiness employers in Virgil, as you know, who employ hundreds of workers, in Leamington, the same thing. I believe it's time for those workers to become organized. I mean, the abuses we see at every level, not only in terms of working conditions but living conditions too, are appalling. I invite you to go down and see it yourselves. It's one thing for me to say it here, but it would be another for you to go to that area—to Leamington, Georgetown, Newmarket, Bradford, Brantford—and see it.

Mr Kormos: And agricultural workers work in among the most dangerous workplaces in all of Ontario and Canada.

Ms Rubio: Correct. Yes.

Mr Kormos: So here I am. I'm with the NDP here at Queen's Park. Are you putting to me that I should support legislation that retains a 60-hour workweek, that retains averaging and that lets workers—

Ms Rubio: No. Every time we've met with Minister Bentley, myself and other colleagues, we've told him, "You need to repeal this."

In all fairness, even before the Employment Standards Act, 2000, there were people who worked 60 hours, but then it was illegal. Now it's a given that if your employer asks you, you just have to do it. Just requesting a permit, which is going to be a rubber stamp as far as I'm concerned, will just continue it. It's been awful.

The problem, as in many cases involving vulnerable workers, is that it's hard to find hard data in terms of how many workers work 60 hours. There is this incredibly

large underground economy too, that those of us who are out there at Jane and Wilson are well aware of.

Mr Kormos: I don't know if any of the people you work with work as chicken catchers in the large poultry farms.

Ms Rubio: No, none.

Mr Kormos: I've had occasion to talk—

Ms Rubio: I've had people work in slaughterhouses; not catching chickens in barns but actually slaughtering chickens. It was a 24-hour operation. That's one of the examples, actually, that I brought to you.

Mr Kormos: It makes Upton Sinclair read like a contemporary. It does. He wrote that book *The Jungle* back at the beginning of the 1900s.

Mr Arnott: I've caught chickens.

Mr Kormos: Then you know exactly what I'm talking about. It's incredible, difficult work.

I thank you. It's remarkable that all the participants today—well, the human resources professionals said they were neutral, self-identified as neutral. Of those who came from the business perspective, as well as those who came from the perspective of workers, not a single presenter today was advocating support for this bill, though perhaps for very different reasons.

Ms Rubio: I'm hardly neutral. I'll make that very clear.

Mr Kormos: Nor am I.

Ms Rubio: I have been working in this particular field for 26 years, so I think I know of what I speak.

Mr Kormos: Thank you kindly.

The Chair: Ms Rubio, just for my own information, you used the term "Chicken Little." In any of your discussions with Minister Bentley to date, has he ever used that term?

Ms Rubio: No, no, no.

The Chair: I think that's important.

Ms Rubio: It was Minister Stockwell. I want to make that clear. Every time we'd say, "This is going to happen," he would say, "Oh, you're like Chicken Little. The sky is falling, the sky is falling." No, Minister Bentley was always respectful and polite to us—

The Chair: I just want to get that on the record, because I do know the minister.

Ms Rubio: —even if we disagreed.

The Chair: Absolutely. That happens.

The Chair: Government side: a couple of quick questions?

Mr Flynn: As I read through your presentation and as I listened to you, what came across is that with a lack of enforcement it doesn't matter how good the rules are; if you're not enforcing them, it doesn't have an impact on the worker's life.

Ms Rubio: Yes.

Mr Flynn: So this bill calls for increased enforcement, some more strategic enforcement. We plan to get into the workplaces.

You're talking about us retaining the 60-hour workweek. Just so I'm clear—I want to make sure you understand what we're saying. Currently an employer

can compel you to work up to 60 hours a week, or if you can get an agreement he can compel you, and you're saying these agreements are sometimes reached under duress because there's no enforcement. What we're saying is that after 48 hours, that would take place. Is that not an improvement?

1800

Ms Rubio: The truth is that in all my 26 years, I've heard, "We're improving enforcement," and it hasn't happened. Why should it happen now?

Mr Ramal: Now we are in power.

Ms Rubio: Yes, but you were also in power in the 1980s and it didn't happen. Anyway, I really don't believe it. Part of the platform of the Liberals was to repeal—I didn't see in your platform that you were going to tinker with the way this consent was sought or that you were going to be granting permits. You were going to get rid of the 60-hour workweek. That has not happened. All you're doing is putting in a little obstacle.

I want to emphasize that it's a little obstacle. If I heard the minister correctly, all he says is that you can get the consent really quickly by electronic means, by fax, by mail. What kind of monitoring will that bring? I suspect, knowing the ministry and the bureaucracy as I do, it's going to be, "OK, another one, another one," with the rubber-stamping. There isn't going to be proper monitoring.

I mean, you still have a huge problem with collection of wages owed to workers. You've been in power for one year, and we haven't seen any major improvement in that either. When are you going to create the enforcement mechanisms?

Mr Flynn: Can we get back to the subject under discussion here?

Ms Rubio: Sure, but it's all related, sir.

Mr Flynn: We'll have to agree to disagree on, I think, a previous discussion.

You talked about overtime averaging and that you were opposed to it. My understanding of the proposed bill is that we are going back to the legislation that existed prior to the passage of ESA 2000, which would have been the previous laws in effect under the NDP government, under the Liberal government and under the Conservative government, that had been around since the early 1980s.

Ms Rubio: No. Overtime averaging for most people didn't exist.

Mr Flynn: What we're doing is bringing in overtime averaging—rather, returning it to the condition it was before, when it was based on a two-week period. That was in place under the New Democratic Party, the Liberal Party and the Conservative Party.

Ms Rubio: No. For most people, overtime was calculated weekly. Any hours worked after 44 were counted as overtime, until the Employment Standards Act, 2000. That's the way it was done. It was done weekly and it was done after 44 hours. That was that. I believe there were some sectors—

Mr Flynn: Could I have staff confirm that? I think that's important.

Mr Kormos: Let her finish her answer.

Mr Flynn: I have my answer, thank you. At some point, can we get staff—

Interjection.

The Chair: Do you want to finish?

Ms Rubio: I understand that for some sectors, particularly unionized sectors—I believe auto workers—there were times when there was overtime averaging.

Mr Kormos: Shame.

Mr Flynn: I'm trying to listen to the woman, Peter. Do you want to give her the floor? Thank you.

Ms Rubio: For most people—the people I work with, the people I represent—there was no overtime averaging. Overtime was calculated weekly. If you worked more than 44 hours, you were paid time and a half. That is the way we liked it.

Mr Flynn: Thank you. Could we have staff confirm that, just so we don't leave here with different opinions?

The Chair: Mr Fenson, you've made note of that?

Mr Flynn: I think staff are in the room who could confirm it right now. That's what I was going to say before we—

Ms Rubio: I didn't bring a copy of the old act, but of course I can make it available to the committee. I have one at work.

Mr Flynn: That's fine. We have some here.

The Chair: Ms Rubio, we thank you very much for your presentation today.

Ms Rubio: Thank you.

The Chair: We'll be back here tomorrow at 3:30 to commence clause-by-clause of Bill 63. Thank you very much for your co-operation.

The committee adjourned at 1805.

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Mardi 30 novembre 2004

Standing committee on social policy

**Employment Standards
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Comité permanent de la politique sociale

**Loi de 2004 modifiant la Loi
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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
SOCIAL POLICYCOMITÉ PERMANENT DE
LA POLITIQUE SOCIALE

Tuesday 30 November 2004

Mardi 30 novembre 2004

*The committee met at 1532 in committee room 1.*EMPLOYMENT STANDARDS
AMENDMENT ACT (HOURS OF WORK
AND OTHER MATTERS), 2004
LOI DE 2004 MODIFIANT LA LOI
SUR LES NORMES D'EMPLOI
(HEURES DE TRAVAIL ET AUTRES
QUESTIONS)

Consideration of Bill 63, An Act to amend the Employment Standards Act, 2000 with respect to hours of work and certain other matters / Projet de loi 63, Loi modifiant la Loi de 2000 sur les normes d'emploi en ce qui concerne les heures de travail et d'autres questions.

The Chair (Mr Jeff Leal): We'll bring this meeting of the standing committee on social policy to order.

The committee today will begin clause-by-clause consideration of Bill 63, which is An Act to amend the Employment Standards Act, 2000 with respect to hours of work and certain other matters.

First of all, members of the committee, we have two amendments that have been proposed by the New Democratic Party. They did come in a bit late, but I would ask unanimous consent that they be considered.

Mr Peter Kormos (Niagara Centre): On a point of order, Mr Chair: I think you'll recall that the subcommittee report was advisory and not mandatory. It was "should," not "must," and that was a very specific distinction that was made by the subcommittee.

Mr Ted McMeekin (Ancaster-Dundas-Flamborough-Aldershot): Actually, Mr Chairman, I have no objection to dealing with the amendments, but neither "should" nor "must" were words used in that report.

The Chair: We'll just deal with it. If I could get unanimous approval for that.

Mrs Elizabeth Witmer (Kitchener-Waterloo): Deal with what?

The Chair: The NDP amendments. All in favour?

Mr McMeekin: Agreed.

The Chair: Good. Thank you.

We'll now start with section 1. There are no amendments to section 1, section 2, section 3.

Mr Kormos: Section 1, please.

The Chair: Sure, Mr Kormos.

Mr Kormos: I'll not be doing this with every section but to note that New Democrats are in substantial

agreement with the amendment contained in section 1. I do, however, question subsection (4) of the proposed section 2, which talks about the majority language of a workplace being something other than English. That in and of itself suggests that if the other language is not a majority language in the workplace, then people who are in those minority language groups who are not English will find themselves in the dark, and that's of some concern.

I'm not going to do this with every section. We're ready to deal with this bill clause-by-clause this afternoon. Don't worry about that. But I'm wondering if the parliamentary assistant has any comment in that regard, anything that can reassure us. You understand the point I'm making?

Mr Kevin Daniel Flynn (Oakville): Yes, I can understand the point that is being made here. Certainly the intent is to try to get as much information out to as many people as not. You have recognized some language may prevent that or may allow somebody to get out of that obligation. I'd be quite happy to hear from the staff who are here from the Ministry of Labour as to how they may address that or how they're interpreting that, and if that concern still exists, then we'll deal with it.

Mr Kormos: I'd appreciate some comment from the bureaucrats, and I don't say "bureaucrat" disparagingly.

The Chair: If we could ask members from the ministry to identify themselves for Hansard, please.

Mr John Hill: I'm John Hill, general counsel with the Ministry of Labour.

Ms Marcelle Crouse: Marcelle Crouse, manager, employment and labour policy branch.

The Chair: Thank you for being with us today.

Ms Crouse: Thank you. John, did you want to start?

Mr Hill: From a legal perspective, there's nothing in subsection (4) which prevents posting a poster that's available in other languages. Even if the majority language in the workplace is English, there's nothing that prevents that. I believe, however, that the ministry has some initiatives underway that are aimed at distributing information about the act in other languages otherwise than through the poster requirement.

Ms Crouse: If I could speak to that briefly as well. Subsection (4) just deals with the requirement to post the poster. The ministry is having the poster and other information translated into about 21 different languages.

To reply to Mr Kormos's point, we didn't maybe want to create an obligation for employers to have to post in every language in the workplace.

Mr Kormos: I understand. I also understand that the first two subsections deal with the minister and "appropriate," so there's very broad discretion. But subsection (4) imposes a duty on the employer, on the boss, and the duty is to inquire of the ministry as to whether there is an advisory poster in that second language, but the duty extends only to that second language if it's a majority language in the workplace, as I understand it.

I'm prepared to—as "considers appropriate" in subsection (1)—rely upon the goodwill of you as civil servants in the ministry. I have no hesitation there, but the deal here is about employers; right? Again, the concern is about the non-compliant employers. We don't have to worry about good employers. They work within the statute. We're worried about the ones who are not quite so good, perhaps at the very least negligent about their duties under the statute.

My concern here is that the statutory duty is only to make that inquiry if it's a majority. So if there are three people speaking Farsi out of a group of 35 and they don't constitute the majority language, those people are SOL in the total scheme of things.

Interjection.

Mr Kormos: SOL. Write that down there, Ted. They are SOL.

That causes me concern because obviously if it's a bad boss, the boss is less—because this applies to all of the Employment Standards Act; right? It doesn't just apply to these amendments. It applies to all of the rights, obligations and duties under the ESA. That's what I find troublesome, that three Farsi-speaking people would be SOL.

Ms Crouse: I understand your point about the poster. I should say that the other information—for example, Bill 63 would require employers, if they're getting written agreements with people, to hand them out an information sheet. That will certainly be in the languages.

Mr Kormos: Quite right.

Ms Crouse: And also a number of other information materials that the ministry would prepare will be in those languages. So there will be some available. I see your point about the poster.

Mr Kormos: Thank you, folks.

Mr Flynn: Is that fine?

Mr Kormos: No, it's not fine.

Mr Flynn: The option would be to post in all 18 languages in each workplace.

Mr Kormos: If we're serious about workers' rights, including their right to work safely, then we're talking about every worker having access to that right, which means being informed of that right. I would say if only one person speaks a language other than English, that person, in the kind of society we think we believe in, should be entitled to know.

I hear your response. I just raise that as a concern. We're ready to move on.

The Chair: Any further questions on section 1?

Mr Kormos: No, sir, thank you kindly.

1540

The Chair: Mr Arnott or Mrs Witmer, any questions on section 1?

Shall section 1 carry? All in favour? Opposed? It's carried.

Questions on section 2?

Mr Kormos: No questions. Recorded vote.

The Chair: Mrs Witmer or Mr Arnott, any questions on section 2?

Shall section 2 carry? Recorded vote.

Ayes

Flynn, McMeekin, Ramal, Wynne.

Nays

Arnott, Kormos, Witmer.

The Chair: It's carried.

Section 3: Any questions on section 3?

Mr Kormos: I'll be asking for a recorded vote when you call the vote, please.

The Chair: OK. Mrs Witmer or Mr Arnott, any questions on section 3?

Shall section 3 carry? A recorded vote.

Ayes

Craitor, Flynn, McMeekin, Ramal, Wynne.

Nays

Kormos.

The Chair: It's carried.

We will now deal with section 4. Mr Kormos, your amendment, please.

Mr Kormos: There are amendments: one from the government, amendment 1; and there is my amendment, identified as A1.

The Chair: Mr Kormos, the amendment is labelled A1 in your package.

Mr Kormos: Which amendment do you want to deal with first?

Mr Flynn: Mr Chair, ours start at subsection 17(8) and go on from there. I think Mr Kormos's precedes ours.

The Chair: Go ahead, Mr Kormos.

Mr Kormos: I move that section 17 of the Employment Standards Act, 2000, as made by section 4 of the bill, be amended by adding the following subsection:

"(7.1) Where an employee is represented by a trade union, the union must agree to an employee agreement under subsection (2) or clause 3(a) or a revocation under subsection (6) or (7), and in the absence of an agreement

by the union, the employee's agreement or revocation has no effect."

This is a matter that was addressed by the Ontario Federation of Labour when they were here yesterday. It ensures that, where there is a collective bargaining agreement, an agreement between a boss and a worker cannot circumvent the role of the union and the role of that collective bargaining agreement.

Tommy Douglas would have voted for this amendment.

The Chair: Any other discussion on this amendment?

Mr Flynn: Mr Kormos and I bumped into each other in the hall today. He gave me some advance notice that these amendments were coming, so I was able to take a look at them. I can understand where they're coming from and why the OFL would ask this.

I've taken a look at what I think is going to be the proposed application form. What it says, clearly, what it asks of the employers, is that they have to provide that they have got a written agreement in place in accordance with the Employment Standards Act with the union that allows for employees to work the requested number of hours. They have to sign that, and it's subject to all sorts of penalties if you make a false statement. They also have to provide the name of the union local, the union contact name and the telephone number of that union.

I agree with the concerns. I'm not sure if I agree with the method of dealing with them. I suggest that the concerns are addressed by the application form that will be used to secure these agreements with the Ministry of Labour.

The Chair: Thank you, Mr Flynn. Mrs Witmer, please.

Mrs Witmer: We'll be voting against all of these amendments because we do not support Bill 63. We do believe it's a step backwards. It doesn't really respond to the modern workplace. The steps being taken provide less flexibility in the workplace than ever before.

We agree that those situations where you have employers who take advantage of employees certainly need to be dealt with. However, we don't believe this legislation introduced by the Liberal government addresses the issue and it more or less penalizes all employers and employees in Ontario. Many workplaces have successfully resolved all of these issues. This is a big step backwards as far as respecting the evolution of the modern workplace.

The Chair: Any further discussion? Mr McMeekin, please.

Mr McMeekin: Yes, Mr Speaker.

The Chair: Mr Speaker, no. I haven't been elevated to that yet.

Mr McMeekin: What's that?

The Chair: You said "Mr Speaker."

Mr McMeekin: Oh, sorry, Mr Chairman. That's what happens when you come right from the House to this place.

I'm fundamentally in agreement with the amendment that's been made. This is a personal opinion. I suspect the

vote will be lost. But having said that, it strikes me as passing strange that in a province that acknowledges workers' rights to organize, to form unions and to negotiate collective agreements with workers—and as the parliamentary assistant has pointed out, the principle's already been acknowledged, at least in passing, in the legislation—that we wouldn't ascribe to protecting this. In fact, I suspect, not including this, it serves as a fundamental disservice to our understanding of the rights of men and women to come together to form unions. So I'm going to support this amendment.

The Chair: Further discussion? All in favour?

Mr Kormos: Recorded vote.

Ayes

Craitor, Kormos, McMeekin.

Nays

Arnott, Flynn, Ramal, Witmer, Wynne.

The Chair: The amendment is defeated.

We now go to the government amendment, subsection 17(8).

Mr Flynn: We have a series of amendments that deal directly with some changes in the time frame as opposed to the substance of the bill. They start with subsection 17(8).

I move that subsection 17(8) of the Employment Standards Act, 2000, as set out in section 4 of the bill, be amended,

(a) by striking out "December 31, 2004," in clause (a) and substituting "February 28, 2005";

(b) by striking out "December 31, 2004," in clause (b) and substituting "February 28, 2005"; and

(c) by striking out "December 31, 2004," in clause (c) and substituting "February 28, 2005."

These and a series of amendments that follow have to do with the date of the effect of this bill being moved forward.

Mr Kormos: What's going on? The bill is not going to be proclaimed until later than was anticipated?

Mr Flynn: Yes. The timeline that was first envisioned has moved into the future a little bit—I think March. Our staff can advise on some of the details of this. I think I'm going to let them, because it's going to relate to the next four or five amendments.

Mr Hill: There is a subsequent motion which would change the coming-into-force date of this bill from January 1, 2005, to March 1, 2005. That is why the dates are being changed.

Mr Flynn: That impacts each of these amendments going forward.

Mr Kormos: Why the delay?

Mr Flynn: Why?

Mr Kormos: Yes. I see amendment number 3 refers to March 1, 2005. Why the delay?

1550

Ms Crouse: If I can maybe just explain. It's an operational issue, frankly. The scheme of the bill, the way it's set out, is that originally we had it so that on October 1, employers would be able to make their applications to the ministry. That would give them approximately three months before the bill came into effect. That was for two reasons: one, so that employers could get their applications either approved or refused in advance of the bill actually coming into effect; and also to give the ministry some time to process them. Now that the coming-into-force date is being moved to March 1, everything sort of shifts accordingly.

The Chair: Ms Witmer, Mr Baird, anything on this one? OK. We'll deal with the amendment. All in favour of the amendment? Opposed? It's carried.

Mr Flynn: I move that subsection 17(10) of the Employment Standards Act, 2000, as set out in section 4 of the bill, be amended by striking out "April 1, 2005," and substituting June 1, 2005."

The Chair: Discussion? All in favour of the amendment? Opposed? It's carried.

Mr Flynn: I move that subsection 17(11) of the Employment Standards Act, 2000, as set out in section 4 of the bill, be struck out and the following substituted:

"Transition: application for approval before commencement

"(11) If the employer applies for an approval under section 17.1 before March 1, 2005, the 30-day period referred to in clause (4)(d) shall be deemed to end on the later of,

"(a) the last day of the 30-day period; and

"(b) March 1, 2005."

The Chair: Discussion? All in favour of the amendment? Opposed? It's carried.

Mr Flynn: I move that subsection 17.1(21) of the Employment Standards Act, 2000, as set out in section 4 of the bill, be struck out and the following substituted:

"Termination of old approvals

"(21) Any approval granted by the director under a regulation made under paragraph 8 of subsection 141(1), as that paragraph read on February 28, 2005, ceases to have effect on March 1, 2005."

The Chair: Discussion?

Mr McMeekin: Just a query on that. I'm assuming the intent is just to clean things up, Mr Flynn, so that it's consistently applied on the day the act fully kicks in?

Mr Flynn: That's right. As of March 1, 2005, everybody will be under the same act and covered under the same rules.

The Chair: Any further discussion? All those in favour of the amendment? Opposed? It's carried.

Mr Flynn: I move that subsection 17.1(22) of the Employment Standards Act, 2000, as set out in section 4 of the bill, be struck out and the following substituted:

"Time for applications

"(22) An application under subsection (1) may be made on or after the day the Employment Standards

Amendment Act (Hours of Work and Other Matters), 2004 receives royal assent."

The Chair: Discussion? All in favour of the amendment? Opposed? It's carried.

Shall section 4, as amended, carry?

Mr Kormos: Whoa. Now you ask for debate on section 4, as amended, please.

The Chair: Sorry. Mr Kormos?

Mr Kormos: Look, New Democrats have been very clear that this government does nothing to keep its promise to revoke or repeal the 60-hour workweek. In fact, the participants from the public in this committee hearing yesterday, to the final one—there was unanimity, whether it was from the employer/human resource end or whether it was from the worker end—accused this government, condemned this government for its failure to keep its promise to repeal the 60-hour workweek. Section 4 retains the 60-hour workweek, 13-hour workday. This is a very sad day.

It's remarkable that the government couldn't even concoct a participant, couldn't manage to get a brother-in-law to come in and make a submission of support for this legislation. The public participants in this committee, to the final one, said this bill does nothing to repeal the 60-hour workweek, and in fact continues the Conservative policy and, in some respects, may well aggravate it. So New Democrats are voting against the Liberal 60-hour workweek. I'll be asking for a recorded vote at the point in time when you put section 4 to a vote.

The Chair: Further discussion?

Mr Flynn: Just to respond, it's quite clear that under the present legislation an employer can compel you to work up to 60 hours a week. If the proposed bill is passed, that will end. It's that simple. It's very clear to me.

I understand there was some disagreement from people who came forward yesterday. I would draw the committee's attention to a memo that was prepared by the research officer on the overtime averaging provisions that seemed to be in some question near the end of the meeting. Everyone will find that on their desk. I think he's been very clear in his response to that. So at least we're all operating on the same page here and there is no misunderstanding as to how overtime averaging existed in the past, how it existed with the introduction of ESA, 2000, and how it's going to exist under our proposed bill. I just wanted to draw the committee's attention to that so we're all operating from the same page.

Clearly, there are some changes in this proposed legislation that will afford better protection to workers in the province. I know it doesn't go as far as some people would like to see it go. We heard yesterday that in some people's opinion it goes too far. Generally, in matters that involve labour legislation, if you're right down the middle you're in the right place, and that appears to be where this bill is taking us.

Mr McMeekin: I've never necessarily been a right-down-the-middle-is-the-best-place sort of a guy. Notwithstanding that, and building on my colleague's

comments, I think it's important to be very clear that the intent of this legislation is indeed to be very restrictive about workers working in excess of 60 hours. In fact, the intent is quite clear—

Mr Kormos: Now we're talking about work in excess of 60 hours.

Mr McMeekin: Well, 48, of course, but you need to go through the application process, which, in and of itself I think is a very clear message to employers that the previous practice of willy-nilly requiring this to happen has ended. I think that's the point Mr Flynn was appropriately making.

I found it passing strange and I thought about the comment that was made—in fact, I tossed and turned about this through the night—but I can't recall who made it. There was reference to the ministry not even entertaining an application from an employer who was not in sync with, in harmony with, who in fact had abridged various employment standards—and said, for all intents and purposes, “That just doesn't make sense.” I want to say for the record that I think it makes all the sense in the world.

If you've got an employer who has fallen into a pattern of significant abuse in terms of workplace safety and everything else, and then feels that he/she wants to avail themselves of the opportunity to be given a rare, perhaps one-time, opportunity to have an employee work in excess of hours set out by law, I, for one, don't want to be entertaining the application from that employer. I think the point that was made in the legislation with respect to that was a pretty fundamental point. I was a little surprised to hear one of the labour leaders talking about it not mattering, essentially, whether an employer met employment standards or not. I think that's quint-essentially what labour legislation should be all about.

1600

The other thing I would just mention in passing is that while the averaging provisions aren't perfect, they are one heck of a lot better than what exists currently. In that sense, it's a very significant step forward and something I think we should be celebrating.

The Chair: Further discussion? A recorded vote has been requested.

Ayes

Flynn, McMeekin, Ramal, Wynne.

Nays

Craitor, Kormos.

The Chair: It's carried.

Section 5. Discussion on section 5?

Mr Kormos: Again, New Democrats support the thrust of more information, better information, information as we indicated with respect to section 1 and the language that is understood by the person intended to receive the information.

New Democrats also note that the member from Niagara Falls has displayed a streak of independence this afternoon that will—

Interjection.

Mr Kormos: Well, the member from Niagara Falls, Mr Craitor, has voted against his government on a couple of these sections. He knows that I hold that in regard. In fact, it's that sort of thing that can give longevity to a career here at Queen's Park. I want to commend Mr Craitor for basically telling his government that they're wrong and for voting against them. He hasn't sat it out, he hasn't walked on the vote, which is one way of registering a rather feckless protest. But if you're going to take them on, Kim, you take them on frontally; you vote against them. Look, you may never be in cabinet, but that's OK. The Premier can put you in or out of cabinet; it's the folks in your community who put you in or out of the Parliament. No member should ever forget that. I commend Mr Craitor's example to his colleagues.

The Chair: Further discussion?

Mr Khalil Ramal (London-Fanshawe): I just want to be on the record here. First, it's a great indication that we don't come to the committee with—what do you call it?—an agenda to vote for or against; we come here to discuss the whole issue and vote the way we think is correct and good for the union movement, the workers in this province and businesses in this province.

Mr Kormos: You should have left well enough alone.

Mr Ramal: I want to echo my two colleagues who spoke before me on these issues, Mr Flynn and Mr McMeekin, who were talking about the happy medium.

I know we listened yesterday to a lot of people, and I share their concern. I know that as workers they want to set the standard very high. Employers also want to find different ways. They also want less government involvement and fewer regulations. Anyway, Bill 63—

Mr Kormos: A good, libertarian Liberal.

Mr Ramal: That's OK. I'm speaking on the record. I'm not afraid to say my position. I was for employers and employees at the same time, and I understand. To be a government, you have to consult both sides and you have to take the median side, which has to accommodate for two elements of the economic structure in this province. That's why Bill 63 speaks to both sides and makes everything workable for both employers and employees. That's why we're voting with.

Mr Kormos: Mr Craitor didn't think so.

Mr Ramal: Well, it's up to him if he thinks differently. We believe in democracy, and everybody is entitled to his or her opinion in this matter.

The Chair: Mr Barrett, please, and then Mr Kormos.

Mr Toby Barrett (Haldimand-Norfolk-Brant): I guess I would ask the parliamentary assistant—and I've just joined this committee—with respect to the government motion. I have just received this and I wonder if you could explain a little bit of what this actually does.

Mr Flynn: Are you talking about section 5 or the entire—

Mr Barrett: Subsection 6(1). It's the page with the 6 in the upper right-hand corner.

Mr Flynn: We're just dealing with 5 right now.

Mr Barrett: Section 5 or page 5?

The Chair: We're on section 5 of the bill, starting on page 7 of the bill.

Mr Barrett: OK. I have a sheet with a 6 with a circle. Are we on that?

Mr McMeekin: We're not there yet.

Mr Barrett: We're on 5?

The Clerk of the Committee (Ms Anne Stokes): We're on section 5.

Mr Barrett: OK. I apologize. I'll wait till we get there.

The Chair: Mr Kormos, please.

Mr Kormos: Well, briefly, Mr Ramal, when you go back home to London and people say, "Why couldn't you be more like Kim Craitor?" don't say I didn't warn you.

Mr Kim Craitor (Niagara Falls): I'm sorry I voted that way.

The Chair: Any further discussion on section 5? Do you want a recorded vote?

Mr McMeekin: I just want to say for the record that there have been a number of new colleagues who have been elected to this House and no two colleagues represent the ability to so fiercely and passionately engage their intellect on issues and vote their principles as Mr Ramal and Mr Craitor. I think they're both to be complimented for their exemplary leadership in this place.

The Chair: Any further discussion? Shall section 5 carry? All in favour? Opposed? It's carried.

Section 6. We're dealing, Mr Kormos, with your amendment. It's labelled 5A, Mr Barrett.

Mr Kormos: I move that subsection 22(2) of the Employment Standards Act, 2000, as made by subsection 6(1) of the bill, be amended by striking out "and" at the end of clause (b), by adding "and" at the end of clause (c), and by adding the following clause:

"(d) any trade union representing the employee agrees to the agreement."

This is consistent with the amendment that I moved earlier which would prevent the bill from circumventing the collective bargaining unit.

The Chair: Discussion?

Mr Flynn: The same argument applies as to the previous amendment. I understand the reasons why they've been brought forward and I understand the sense behind them. I believe they will be covered off in the operational aspects of the application.

The Chair: Mr Kormos, you're requesting a recorded vote on this one?

Mr Kormos: Recorded vote, please.

The Chair: We'll now vote on the NDP amendment.

Nays

Flynn, Ramal, Wynne.

Mr Kormos: I would ask the Chair to please consider the relevant and long-standing tradition when it comes to the role of the Chair to deal with a tie vote. The clerk will advise you, I'm sure, as I have been advised so many times by clerks when I've sat as Chair of committees, that the vote of the Chair should go with the motion made.

The Chair: I'm seeking counsel with the clerk here.

I will vote against the amendment, which is consistent with the role of the Chair. In counsel with the clerk, it would seem to me that your previous amendment, Mr Kormos, would have to carry in order to make this, because the two really go together.

Mr McMeekin: Can I just have one minute, Mr Chairman? I understood it was the tradition that in the event of a tie vote, the Chair usually casts against. I am surprised that Mr Kormos wouldn't know that. You led me to believe the opposite.

1610

Mr Kormos: Mr McMeekin, I do know it. You're wrong and those who would propose it are wrong.

Mr McMeekin: Mr Chairman, was it your intention to lead me to believe the opposite? Is the Chair incorrect?

Mr Kormos: I'm not going to debate the Chair. The Chair just has a hard time finding his gonads.

The Chair: I'm sorry?

Mr Kormos: The Chair has a hard time finding his gonads.

The Chair: No, that's not the problem at all, Mr Kormos.

I've consulted with the clerk. That amendment is lost. We'll now go to Mr Flynn, please.

Mr Flynn: I move that subsection 22(2.2) of the Employment Standards Act, 2000, as set out in subsection 6(1) of the bill, be struck out and the following substituted:

"Transition: certain agreements

"(2.2) For the purposes of this section, each of the following agreements shall be treated as if it were an agreement described in clause (2)(a):

"1. An agreement to average hours of work made under a predecessor to this act.

"2. An agreement to average hours of work made under this section as it read on February 28, 2005.

"3. An agreement to average hours of work that complies with the conditions prescribed by the regulations made under paragraph 7 of subsection 141(1) as it read on February 28, 2005."

I can speak to that briefly, for the benefit of Mr Barrett.

As a result of this subsection, employees who already have agreements with their employers for overtime averaging would not have the burden of having to get new agreements. What would happen, though, if the proposed legislation is passed, the director would then have to

Ayes

Craitor, Kormos, McMeekin.

approve all such agreements that come into force after that date. Under the current ESA, 2000, only agreements that average weekly hours over periods of more than four weeks must be approved by the director. Under our proposed legislation, any overtime averaging agreements would need to be approved.

Mr Barrett: The reason I asked for further discussion is, my assumption all along has been that this legislation really does nothing to eliminate the 60-hour workweek, in spite of claims. I guess my specific question to the parliamentary assistant is, is this a motion that would actually eliminate the 60-hour workweek? Is this the one that accomplishes that goal? It's my understanding of the legislation that nothing has changed. People would still be working a 60-hour workweek. Is this the one that knocks it out of the ballpark?

As I say, I just joined the committee and I have trouble understanding whether this accomplishes the goal.

Mr Flynn: No. What we're talking about here in subsection 6(1) is overtime averaging. Under the current ESA, the changes that were made in 2000, you're allowed four weeks of overtime averaging. Under the previous one, under the New Democrats and your own party up until that date, it had to be done for a two-week period. What we're doing is returning to the old way of doing it, to the two-week period. So you can't overtime average over four weeks; you can only do it over two weeks.

Under the current legislation that exists today, you don't need director approval for anything up to four weeks. What we're saying is you need director approval from the MOL for any overtime averaging provisions or agreement you bring into force with your employees. What we're saying is during this period, if you already have an agreement with your employees to overtime average, that agreement remains in effect until the date of passage of this bill. At that time, you still need to get director approval and the two-week period would then apply to overtime averaging.

Mr Barrett: Is this something employees are going to have to work out every shift or does it land in the lap of personnel? Who works out all this averaging? Is this additional number crunching that a company would have to do, for example? Does the union get involved with this? It's complex.

Mr Flynn: I would hope so, or else I would imagine the union would become involved in any new agreement that was coming forward. The rules are changing. The rules will change as of the date of passage of this bill and all employers will have to comply with those new rules.

Mr Barrett: There will be more rules, will there?

Mr Flynn: I'm not sure if there'll be any more rules. There'll be different rules and they'll have to be complied with.

Mr Barrett: Does it help streamline the process or is it kind of an add-on?

Mr Flynn: We believe the process is streamlined, as far as the way an application is made. If one was to look at the old four-week period being the period under which

you would not have to get director approval, one might say there may be more agreements that become necessary as a result of this.

It's hard to predict, but I think from a common sense perspective you'll probably get more agreements and more compliance in the workplace, and will return to the rules that were in place prior to the amendment. I think most people in Ontario and most employers, and even unions, perhaps if they were pressed, would prefer the two-week overtime averaging period as opposed to the four—although their first preference, I'm sure, would be one week, and I think they've stated that.

Mr Barrett: OK. As long as the average guy on the shop floor can figure this out and understand this, because I don't.

Ms Kathleen O. Wynne (Don Valley West): I just want to make two quick comments. In response to the first concern about are there more rules and is it less streamlined, what we're trying to do is put a balanced approach in place that protects. I think Mrs Witmer was talking earlier about a step backwards: In the sense that we're trying to put more protections in place, then yes, absolutely.

My understanding of this section, and you might want to get staff to clarify, is that this is a transition section. My understanding is that it grandfathers and allows for transition for employers and employees for agreements that are in place and, when the new legislation comes in, there's a provision for what to do with those former agreements. Is that the case? I think just about anybody can understand that.

Mr Hill: That's right. This section grandparents existing averaging agreements. When the new regime comes into place—if it comes into place—at that point, the employer will have to get an approval, or have a pending approval, in order to average the hours. But they will not have to go back and get new averaging agreements from the employees because this section will grandparent the existing agreements.

Ms Wynne: So in fact without this section, there would be a significant amount of confusion about what to do with those former agreements, and these need to be in place so that when the new rules come in, it's clear. So in a sense, it's a technical amendment in order to smooth the transition.

The Chair: Mr Barrett, I'll put you on the speaker's list here if you want. Mr McMeekin, you're next.

Mr McMeekin: I just want to be clear because, like Mr Barrett, I'm concerned that the average guy on the shop floor be able to understand this. My experience, having worked on a shop floor in a union setting, is that average guys on the shop floor understand a lot more than some people give them credit for.

All that aside, it seems to me that we've got a situation here where this section in the amendment is designed to protect the rights and privileges of both the employer and employee as negotiated, so that some arrangement that has been carefully worked out is not abrogated arbitrarily

and at the expense of either party when there's been a good-faith agreement. Would that be fair?

Mr Hill: Yes. The intention here is to not force the employer and the employee to go back and negotiate a new agreement. They will have to get the approval of the director of employment standards in order to continue averaging, but they will not have to get new agreements.

Mr McMeekin: I understand that and expect that most average guys on the shop floor will as well.

Mr Ramal: I think it's just a fair section that deals with the labour act, which gives flexibility for both sides—employees and employers—to choose the way they want to take their hours. Certainly, as I mentioned yesterday, I used what they called two-week averaging when I was working as a health care provider. I think it doesn't just work for the employer; it works for the employees, because we choose that way. This bill, I guess, will grant the flexibility for people, for both sides, to choose the way they want to work. That's why I want to support it.

1620

Mr Barrett: Like Mr McMeekin, I spent some time in a factory, and joined a union when I was 18. I will admit, when I was 18—I mean, it was union wages, it was American wages—it was very good money at American Can. I was given the union book when I first joined, and I went to the union meetings. I was there for four seasons. But at age 18, 19 and 20, the paycheque was there. Sometimes I went to my union steward but, quite honestly, I have to admit, and I do this sitting next to Mr Kormos, that I didn't read the union rules. I didn't read the union book. I left it up to—

Mr McMeekin: You trusted people. You trusted the union.

Mr Barrett: I trusted my union.

I'm just concerned. It's amazing. It may have been more clear back when I was age 18 than it is now. But mainly to the ministry staff: Would this amendment in any way contribute to eliminating the 60-hour workweek in Ontario?

Mr Hill: If "60-hour workweek" is a reference to the daily and weekly limits on hours of work, no, because this amendment is concerned with the averaging of hours for purposes of determining overtime pay entitlements.

Mr Barrett: Yes. Does the legislation itself eliminate the 60-hour workweek? Maybe that's a political question.

Mr Hill: It is a political question, and I think different people understand different things by what eliminating a 60-hour workweek means. I don't think it's appropriate for me to attempt to answer that question.

Mr Barrett: OK. Again, going back to when I was 18, we worked all the overtime we could get our hands on, and I think my net income was actually higher than it is now.

The Chair: Mr Craitor, then Mr Kormos.

Mr Craitor: Chair, through you to the staff, just so I've got this clear: I'm an employer, and I have an agreement with one of my employees. So on that day

when this becomes law, what do I physically do to get my agreement approved?

Ms Crouse: What you'll have to do is file an application with the Ministry of Labour. You can do that on-line. You'll have to wait to receive approval from the director of employment standards. If you want to average employees' hours over more than two weeks, you'll actually have to wait to receive the approval. If you're only asking for two weeks, you have the written agreement, and if you don't hear from the ministry within 30 days, then you can go ahead and work on that basis. However, the ministry may still issue a refusal after that 30-day period.

Mr Craitor: OK. What does the ministry look at to make the determination that they're not going to reply to me in 30 days? What do they have up there? Do they have all these agreements sitting there in an organized fashion that they can go through and look at my agreement that I had previously and know that it's applicable to continue? How do they do that, so I understand?

Ms Crouse: The agreements are not actually filed with the ministry. The act requires the employer to keep them on file at their place of business. The reason for that is so that they can be checked when officers are out in the field doing spot-checks and proactive inspections.

What the ministry will be looking at in terms of assessing whether approval should be given or not are things like, does the employer have any outstanding orders under health and safety legislation or under employment standards legislation? That is a new thing for the ministry. They'll also be looking at other criteria, that we've had to approve things in the past, like, what is the reason that the extra hours are being requested? Is the schedule in compliance with other employment standards, such as, do the people get the daily and weekly rest that they're entitled to? Things like that.

Mr Craitor: Out of curiosity, how many such agreements exist? Do you have a figure?

Ms Crouse: Overtime averaging agreements?

Mr Craitor: Right now.

Ms Crouse: Actually, there may be some stats on that provided to the committee today. My understanding is that since 2001 there have only been about 25 agreements approved. The current system is that they only have to get approval from the director of employment standards if they're averaging over a period of longer than four weeks. So I think about 25 of those have been approved.

Mr Craitor: So if you only have 25, wouldn't it have been easier, from the staff's point of view, to just have them submit a new application for 25, rather than to create a piece of legislation for 25?

Ms Crouse: Well, we don't know how many are out there who might be averaging under a period less than four weeks. Our suspicion is there are a number of workplaces where they average over a two-week period, for example. Right now, the ministry doesn't have any stats on that, because they're not required to come to us.

This section says that if an employer has in good faith complied with the current act and gotten agreements with employees, all it means is they don't have to go out and do that again. In some workplaces, where they have individual agreements with potentially several hundred employees, that could be a fairly big piece of work. So it's just meant to grandparent those agreements, and that's it. They still will have to apply for approvals from the ministry.

Mr Kormos: I'm just wondering if Mr Barrett could give us a couple of verses of Solidarity Forever.

Mr Barrett: No, I can't, but I will say I was a local Canco man. I think it was Local 35 of American Can. That plant was established in the 1930s and we didn't have strikes for decades and decades. Very good union-management relations there.

Mr McMeekin: I found it fascinating, Mr Barrett sharing his story. It was really rather moving, his explanation that as a young man he learned to—although he may have forgotten the words to Solidarity Forever, and I've forgotten some of them myself, he recalls with fondness those days when a strong union protected his rights, when he felt he didn't even have to read the fine print because he knew he could trust his union brothers and sisters to protect his interests.

I want to say that not a lot has changed in Ontario. That kind of trust still exists, by and large, throughout the union movement.

Mr Kormos: If the truth be known, Mr Barrett has told us he was 18 years old; I suspect he had other things on his mind.

The Chair: Mr Ramal, were you a union member too at one time?

Mr Ramal: Yes, I was.

Ms Wynne: Everybody who worked in a factory, just say it now.

Mr Ramal: I was OPSEU.

The Chair: I was Allied and Commercial, at Quaker Oats, as a summer student.

Mr Ramal: I just had a question for the ministry staff. Would the nature of a job be a factor to determine whether to give permission or not?

Ms Crouse: Yes, it would. One of the things that Bill 63 would require the director to consider is the health and safety of employees. So that would be taken into account. If it's a very dangerous occupation, then I think longer hours would certainly be scrutinized more.

The Chair: Any other history members of the committee want to share with us this afternoon?

Any further discussion? Is a recorded vote required on this one? Is anybody interested in a recorded vote? All in favour of the amendment? Opposed? It's carried.

Mr Flynn: I move that subsection 22(5.1) of the Employment Standards Act, 2000, as set out in subsection 6(2) of the bill, be struck out and the following substituted:

"Transition: application for approval before commencement

"(5.1) If the employer applies for an approval under section 22.1 before March 1, 2005, the 30-day period referred to in clause (2.1)(d) shall be deemed to end on the later of,

"(a) the last day of the 30-day period; and

"(b) March 1, 2005."

This allows for a seamless transition for both the employers and the employees.

The Chair: Discussion? All in favour of the amendment? Opposed? It's carried.

1630

Section 6, as amended: Any discussion? Does anybody want a recorded vote on section, as amended?

Mr Kormos: I'm going to holler "recorded vote."

The Chair: OK. I'm just extending my courtesy to make sure.

Mr Kormos: I appreciate that.

The Chair: Section 6, as amended: All in favour?

Mr Kormos: Recorded vote.

Ayes

Craitor, Flynn, McMeekin, Ramal, Wynne.

Nays

Kormos.

The Chair: It's carried.

Section 7: Mr Flynn, please.

Mr Flynn: I move that subsection 22.1(18) of the Employment Standards Act, 2000, as set out in section 7 of the bill, be struck out and the following substituted:

"Termination of old approvals

"(18) Any approval of an averaging agreement that is granted by the director under a regulation made under paragraph 7 of subsection 141(1), as that paragraph read on February 28, 2005, ceases to have effect on March 1, 2005."

Again, this just puts everybody under the same rules.

The Chair: Discussion? All in favour of the amendment? Opposed? It's carried.

Mr Flynn: I move that subsection 22.1(19) of the Employment Standards Act, 2000, as set out in section 7 of the bill, be struck out and the following substituted:

"Time for applications:

"(19) An application under subsection (1) may be made on or after the day the Employment Standards Amendment Act (Hours of Work and Other Matters), 2004 receives royal assent."

The Chair: Discussion? All in favour of the amendment? Opposed? It's carried.

Any discussion on section 7, as amended? All in favour of section 7, as amended?

Mr Kormos: Recorded vote.

Ayes

Craitor, Flynn, McMeekin, Ramal, Wynne.

Nays

Kormos.

The Chair: It's carried.

Discussion on section 8?

Mr Kormos: On a point of order, Mr Chair: I suggest you put sections 8 and 9 together for a vote, with the consent of the people assembled.

The Chair: I appreciate your guidance. I think that's a wonderful idea. Shall sections 8 and 9 carry? All in favour? Opposed? Passed.

Discussion on section 10? Shall section 10 carry?

Mr Kormos: Recorded vote.

Ayes

Craitor, Flynn, McMeekin, Ramal, Wynne.

Nays

Kormos.

The Chair: It's carried.

Section 11: Mr Flynn, please.

Mr Flynn: I move that section 11 of the bill be struck out and the following substituted:

"Commencement

"11. This act comes into force on March 1, 2005."

This just goes along with my previous comments and those of the staff that this bill is being moved into the future a little bit with its time frames.

The Chair: Discussion? Shall the amendment carry? Opposed? It's carried.

Shall section 11, as amended, carry?

Mr Kormos: Recorded vote.

Ayes

Craitor, Flynn, McMeekin, Ramal, Wynne.

Nays

Kormos.

The Chair: It's carried.

Discussion on section 12? Shall section 12 carry?

Mr Kormos: Recorded vote.

Ayes

Craitor, Flynn, McMeekin, Ramal, Wynne.

Nays

Kormos.

The Chair: It's carried.

Shall the title of the bill carry?

Mr Kormos: Recorded vote.

Ayes

Craitor, Flynn, McMeekin, Ramal, Wynne.

Nays

Kormos.

The Chair: Carried.

Shall Bill 63, as amended, carry?

Mr Kormos: Recorded vote.

Ayes

Craitor, Flynn, McMeekin, Ramal, Wynne.

Nays

Kormos.

The Chair: Carried.

Shall I report the bill, as amended, to the House?

Mr Kormos: Recorded vote.

Ayes

Craitor, Flynn, McMeekin, Ramal, Wynne.

Nays

Barrett, Kormos.

The Chair: It's carried.

There is no further business for the committee. Would someone like to move adjournment? Thank you very much for your co-operation.

The committee adjourned at 1640.

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**Standing committee on
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ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
SOCIAL POLICYCOMITÉ PERMANENT DE
LA POLITIQUE SOCIALE

Wednesday 15 December 2004

Mercredi 15 décembre 2004

The committee met at 1637 in committee room 1.

RESIGNATION OF CHAIR

The Vice-Chair (Mr Khalil Ramal): First, how is everyone today? Hopefully well.

Mr John R. Baird (Nepean-Carleton): I got Mr Leal's resignation, and I would like to move an official motion that the committee acknowledge the good work of the member for Peterborough as Chair of the standing committee on social policy.

Mr John Wilkinson (Perth-Middlesex): On behalf of the Liberal caucus, I wholeheartedly concur with the member for Nepean-Carleton.

Mr Baird: May I speak to that motion?

The Vice-Chair: Go ahead.

Mr Baird: The member for Peterborough is a good fellow. He has, I know, been working as the member for Peterborough for the last year. I think he served on city council for 18 years before that, which is an unusual amount of elected experience for anyone to have before they come to this House. I didn't have any elected experience when I was first elected to Parliament. I did bring the experience of youth and of young people, which I think is an important part of the political process, I say to my friend from Don Valley East.

Ms Kathleen O. Wynne (Don Valley West): Don Valley West.

Mr Baird: Don Valley West; I apologize.

I was going to say to my friend Mr Marchese that I've just moved a motion acknowledging the good work of the member for Peterborough. We've just received his resignation as Chair of our committee, and I'm speaking to the motion.

Mr Rosario Marchese (Trinity-Spadina): I see.

Mr Baird: The member from Peterborough had a press conference last Friday to talk about the Peterborough Regional Health Centre. He asked a question—I think it was on December 10 last year—of the Minister of Health about whether the project would go forward. Apparently it had been a big issue in Peterborough that it wouldn't go forward if he won the election. The Minister of Health said, on December 10, 2003, that the member for Peterborough could count on that proposal not being delayed one iota.

I guess his resignation letter cites that he's too busy with his job as an MPP and his job as a parliamentary assistant in a very important ministry, Training, Colleges

and Universities. I think he replaced the member for Don Valley East in that position.

Ms Wynne: West.

Mr Baird: Sorry, Don Valley West. I think she did a good job in that position. I put that on the record. She's a good friend. She came to Ottawa and met with apprenticeship folks and did a lot of listening with them. I think she met with the school board, which does some apprenticeship—

Ms Wynne: Adult education.

Mr Baird:—adult education. Adult education is very important.

I suspect Mr Leal was too busy fighting for the Peterborough Regional Health Centre. The Peterborough Regional Health Centre hasn't moved, and the member for Peterborough has obviously acknowledged in his resignation letter that he's got to spend more time fighting for the Peterborough Regional Health Centre.

I was very pleased last Thursday to speak to the Minister of Health in question period and ask him a question about where that project is. We had a good exchange of ideas, and it certainly prompted some interest in the Peterborough Examiner. The member for Peterborough, in his capacity as an MPP, had a press conference to talk about the provincial government's commitment and his personal commitment to the project.

It hasn't moved forward, though. There is not a shovel in the ground. I want to tell you that they have built a new parking lot. That's what is done. The new parking lot has been built because the old parking lot is where the new hospital is supposed to go.

I know Gary Stewart, the previous member, had worked very hard. The member for Trinity-Spadina agrees that he had worked very, very hard for that. I went down to meet the previous member for Peterborough, Gary Stewart, to talk about the need for upgrades. Little did I know he was conniving to get a whole new hospital. Good for him. He was very quietly manoeuvring, if I could say to the member for Trinity-Spadina, to get a new hospital.

The president of the Peterborough Regional Health Centre at the time, Rob Devitt, whom I know, had us around and showed us the new CT scan lab, which I thought was quite interesting. Rob did a great job. Rob used to be the hospital president in my riding at the Queensway Carleton Hospital, which is in Nepean, Ontario.

I'm very proud that we fought very hard to get the Queensway Carleton Hospital an MRI, and that was opened recently. Dalton McGuinty and George Smitherman were there. This was just before I became the critic for health. The hospital was told not to invite me. Can you believe that, I say to the member for Don Valley West? I couldn't believe that. I was surprised. But I went and was in the crowd.

A very classy thing happened. The member for Ottawa West-Nepean acknowledged my attendance in the room, and a member of the board of the Queensway Carleton Hospital, Rod Vanier, who was the candidate for the Liberal Party of Ontario in the last provincial general election, was there and acknowledged my presence and the work I had done for the hospital. I thought that was very classy, and I want to put that on the record. While the minister, the Premier and the member for Ottawa West-Nepean insist I had nothing to do with it, he was very big. I think it's good when people are classy.

Speaking of class, I saw the Minister of Community Safety and Correctional Services in the House the other day, and he acknowledged the work that Garfield Dunlop has done. I just screamed at him and heckled and said, "He has got more class"—

Ms Wynne: On a point of order, Mr Chair: There is a motion on the floor. I'd be happy to vote on the motion. I understand it's debatable, but I'm not sure where the member for Nepean-Carleton is going with his discussion.

Mr Baird: She's right, Mr Chair.

The Vice-Chair: I know she's right. She's always right.

Mr Baird: Well, she's mostly left, but I like her.

Ms Wynne: Could we move on?

Mr Baird: I will get back to the motion. The member for Peterborough said in his resignation letter—

Mr Mario G. Racco (Thornhill): A point of order, please.

Mr Marchese: If I could speak to that—

The Vice-Chair: Yes, one second.

Mr Racco: A point of order.

Mr Marchese: Oh, he's got a point of order. OK. We'll go to the point of order first.

Mr Racco: Chair, as you know, a point of order has precedence. I have an agenda in front of me and I thought we were going to deal with the agenda. Of the comments I have heard, to my understanding, there isn't a motion on the floor to add these items to the agenda. These items are not on the agenda.

If I'm correct, I would suggest that the best thing for you to do is to proceed with the agenda and, if somebody wants to add any item under "other business," that can be done. But right now it's not on the agenda. There is an agenda in front of all of us and I think we should follow the agenda. I ask that you rule on that, Mr Chair.

The Vice-Chair: Actually, it was a motion. Both sides agreed to speak on it.

Mr Marchese: May I speak to that?

The Vice-Chair: I'm sorry?

Mr Marchese: Will you allow me to continue?

The Vice-Chair: Yes, sir.

Mr Marchese: What I wanted to say is that when you have a motion on the table, once it becomes debatable, that's it. So even though there are other elements that may or may not be discussed or may or may not be approved, a motion is a motion.

The Vice-Chair: Yes, and then both sides agreed from the beginning.

Mr Baird: Mr Vice-Chair, I agree with your ruling. The member for Don Valley West was completely accurate. I should speak to the motion.

I can remember the member for Windsor-Sandwich, in my first term. She spoke in committee for eight months. The standing committee on the Legislative Assembly met twice a week for two and a half hours, and Sandra Pupatello had the floor for six or eight months, and spoke.

Mr Marchese: You're kidding.

Mr Baird: Yeah. She had a concern and she was trying to make a point. They put me on the committee and on my first day on the committee, Mrs Pupatello was one minute late.

The Vice-Chair: Speak to the motion, please.

Mr Baird: I do apologize.

Speaking to the motion, we should thank the member for Peterborough because in his resignation letter he has talked about how his workload has greatly increased. Well, I know it has greatly increased. This member has a lot of work to do. He has to fight for the Peterborough Regional Health Centre. The member from Peterborough has got to fight against the cutbacks of the nurses and the elder health care workers in Peterborough. That's why he can't be Chair of this committee, and that's why we should thank him for being Chair in the first place.

It's not just that he agreed to serve. The ability to serve this Legislature is such a phenomenal privilege. I know the member for Peterborough feels the same way, because I think it took him a second time before he got elected. He persevered and he stuck with it. I like the member for Peterborough. Sometimes they call upon him to work with the Premier's office and develop the lines, and he goes and delivers the lines from the Premier's office. I think he does quite a good job. I think he could potentially be a minister.

Do you know what I'm thinking, Mr Chair? I'm thinking that the member for Peterborough is looking at his end of eastern Ontario and saying, "There are no cabinet ministers from here." Durham doesn't have any cabinet ministers. If he works hard as parliamentary assistant to the Minister of Training, Colleges and Universities, then he might get into cabinet. Frankly, we would love to have another minister from eastern Ontario, and I think the member from Peterborough would be as good as any. He is an agreeable chap, an agreeable fellow.

In terms of his reason for his resignation, as cited in this letter—and the letter is dated December 15. He probably saw the hard work that the previous parliamentary assistant to the Minister of Training, Colleges and Universities, the member for Don Valley West, did. She

got a big promotion. She's now PA to the Minister of Education. That's a \$15-billion budget.

Training, Colleges and Universities, where Mr Leal is PA—that's no small potatoes. That's an important ministry, but when you're talking about education, training and skills development, the big kahuna is the Ministry of Education. He saw the member for Don Valley West work hard and get a promotion. He saw it and he said, "Do you know what? I'm going to put all my energy into that and not into being Chair of this committee." I want to congratulate him for that, because too many people take too much on and they spread themselves far too thin and they do a bad job. Good for the member from Peterborough for saying, "I'm not going to be one of those people. I'm going to put all my skills, effort and energy into fighting George Smitherman and the cuts to my local hospital and the virtual cancellation of the Peterborough Regional Health Centre, and into my PA job," to ensure that he's able to deliver for the people of Peterborough.

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Because Peterborough is a community which needs strong representation. It has gone through some economic challenges with respect to a little bit of downsizing here and there. Some constituencies are economically booming; this constituency has some unique challenges, I would say to member for Burlington. He has decided, "I will not spread myself too thin." I have seen too many members get elected to this place and get far too many positions on too many committees and these make-work caucus committees. I've seen some ministers get in over their head. They try to take on too much.

My advice to the member for Peterborough would be—when I was Minister of Social Services, I had three priorities. I had work for welfare, which was sort of the corporate priority. I had the Early Years initiative, which was a big priority of Mike Harris. He fought for the Early Years funding from the federal government. And my personal priority was helping people with developmental disabilities. If I had tried to make every single thing in the ministry the priority, nothing would have happened; nothing would have gotten done.

I did sort of break my rule. Developmental disabilities was a big priority for me, as well as shelters for abused women and women's issues. I think the member for Peterborough would probably be pleased with the province-wide telephone helpline that battered women can call for help. I worked with the member for Beaches-East York, Frances Lankin, on taking something that existed in Toronto that now helps people in Peterborough, because I made it a priority. That's important. That's what the member for Peterborough sees. He sees the need to work with others—

The Vice-Chair: Would the member stick to the motion, please?

Mr Baird: Sure. So his increased workload—it's obviously more work being the parliamentary assistant to the Ministry of Training, Colleges and Universities.

Interjection.

Mr Baird: He's actually got it wrong. It's actually parliamentary assistant to the Minister of Training, Colleges and Universities. He works for the boss there, the woman running the show, the Honourable Mary Anne Chambers. And I hear she wants her PAs working hard. I saw how hard she worked the previous parliamentary assistant, the member for Don Valley West. She not only did a lot of speaking engagements—which Mr Leal undoubtedly has—to represent not just the minister, but to represent the Premier and the entire government. That includes me, because I'm a taxpayer and a citizen. He, undoubtedly, is going to be called upon to speak at places like Carleton University, Algonquin College and Queen's University, where I'm a graduate; Arts '92. He will likely—

Ms Wynne: Arts '76.

Mr Baird: "Arts '76," the member for Don Valley West says. I want to put on the record that I like the member for Don Valley West. She's a good friend. I like her. We often kibbutz amongst ourselves and chat.

Ms Wynne: Kibitz.

Mr Baird: Kibitz, sorry. I know the member for Don Valley West has not an insignificant Jewish population in her riding. Correct?

Interjections.

Mr Baird: Not insignificant. Significant. Much like my constituency in Nepean-Carleton. So I try to use those—

Ms Wynne: Hence the kibbutz?

Mr Baird: Kibbutz, kibitz. I don't profess—the member for Peterborough doesn't profess to speak Yiddish, and neither does the member for Nepean-Carleton.

Mr Cameron Jackson (Burlington): But my mother does.

Mr Baird: The member for Burlington's mother does. Good for the member for Burlington's mother.

I would suspect that the member for Peterborough will be traveling to many of these places. I would hope that the member for Peterborough, who is now the parliamentary assistant to the Minister of Training, Colleges and Universities, visits the University of Toronto, because it's an important institution in our province. Visiting people—now that he's delegated himself that he will work hard—

The Vice-Chair: I thank the member for his motion. Time is over now. We can go back and stick with—

Ms Wynne: Mr Chair, I'd like to call the question. Could I call the question?

The Vice-Chair: One second, please.

Mr Marchese: I haven't spoken to the motion

Ms Wynne: Mr Chair, I didn't realize that the member of the third party wanted to speak. But I would like to call the question, if that's possible.

The Vice-Chair: OK. Go ahead. Ask the question.

Ms Wynne: I've done that. I'm calling the question.

The Vice-Chair: OK. We'll ask Mr Marchese to speak and then we'll call the question.

Ms Wynne: OK. Thank you.

Mr Marchese: I don't want to be too long in this, but I did want to praise the member for Nepean, who I thought went on at length with so much knowledge about so much that I was impressed by his presentation.

But to the motion, I just wanted to say that I've also been a Chair in the past and so I know the extent of the commitment we have to give to it, but I was seriously concerned about his own underestimation of his ability—that is, Jeff Leal—when he says, “It is for this reason that I am stepping down as Chair rather than remain and not be able to give the committee my full attention.”

I think he was a very able individual. Not only could he have been the Chair of this committee but he also could have easily served as the parliamentary assistant to the Minister of Training, Colleges and Universities. I have to tell you, as the critic, I'm not quite sure what that ministry is doing; maybe they're doing a whole lot, I don't know. But as I see it, being the critic for that ministry and knowing the ability of Jeff Leal, I think he could do both. I'm concerned about his own diminishment.

Mr Wilkinson: He knows.

Mr Marchese: I'm concerned about whether or not he's suppressing something here that we should be familiar with, and I really want to get to the bottom of it, right? As I say, having had experience as Chair, I know the commitment. Having been the critic, and I still remain the critic, for this particular ministry—and they haven't done very much—I say surely Jeff can do both and not underestimate—

Mr Wilkinson: Let Jeff be Jeff.

Mr Marchese: No, but you see, I worry about—

Interjection.

Mr Marchese: I know. I worry about Jeff because when one member begins to diminish himself, then I think everybody else is going to follow suit. It's like the—

Interjection.

Mr Marchese: It's true. You see those bowling pins there in—what do you call that sport? Bowling, that's what it is. It's like when you hit one bowling pin, the others bop around. So I get worried for you guys. I want to let you guys know you're all able individuals, and please don't diminish yourselves. If the Premier comes and tells you, “Look, you've got so much work to do here, right? We don't want you to do two jobs because stress is a serious issue”—I was just listening to the CBC today about the whole issue of stress—

The Vice-Chair: Can the member stick with the motion, please?

Mr Marchese: It's speaking to this very thing.

The Vice-Chair: The motion, please, yes.

Mr Marchese: I'm concerned—

Interjection: About Jeff?

Mr Marchese: Jeff Leal.

This has nothing to do with the incoming Chair, you understand. This has nothing to do with who Jeff is going to be replaced by; this is not the issue.

The Vice-Chair: Can the member please speak to the motion?

Mr Marchese: What am I speaking to?

Ms Wynne: We're not sure.

Interjection.

The Vice-Chair: Attention, please. Go ahead, sir.

Mr Marchese: They jump so quickly. Chair, are we about to have a vote?

The Chair: You have to move the question first.

Mr Marchese: I move a 20-minute recess.

Ms Wynne: Mr Chair, I just want to be clear that this committee is going to meet until we finish the agenda today.

The Vice-Chair: Sure, definitely.

Ms Wynne: Yes. So we're going to stay meeting—there's no time limit on this—until the agenda is completed.

Mr Marchese: That's why I moved a 20-minute recess.

The Vice-Chair: We have to vote on it.

Mr Marchese: We can move a 20-minute recess before the vote.

The Vice-Chair: So I guess we have a 20-minute recess.

The committee recessed from 1700 to 1720.

The Vice-Chair: Thank you, everyone. Now we'll put the question. Ms Wynne had the floor.

Ms Wynne: Yes, I called the question.

Mr Baird: We're voting on calling the question?

The Vice-Chair: We're going to vote on the motion.

Ms Wynne: I called the question on the motion you put on the floor.

Mr Baird: I'd like a recorded vote.

Ayes

Baird, Fonseca, Jackson, Marchese, Racco, Wilkinson, Wynne.

The Vice-Chair: Now we're going to go back to Ms Wynne. Ms Wynne had the floor.

Ms Wynne: I believe the next item on the agenda is the election of the Chair.

ELECTION OF CHAIR

The Vice-Chair: Today, the committee received the resignation of the Chair. It's therefore my duty to call upon you to elect a Chair. Are there any nominations?

Ms Wynne: I'd like to nominate Mr Racco.

The Vice-Chair: Are there any further nominations?

Mr Baird: I'd like to nominate Mrs Jeffrey, because that's who the whip told me they were nominating.

The Vice-Chair: Any further nominations?

Mr Gilles Bisson (Timmins-James Bay): I'd like to nominate Mr Wilkinson.

Mr Baird: I'd like to nominate Lisa Freedman.

The Vice-Chair: I'm sorry, you have already nominated one and you cannot nominate two.

Mr Baird: Where is that written?

The Vice-Chair: Lisa Freedman is not part of the committee. We are electing people who sit on the committee at the present time.

Mr Baird: That clerk did the same thing to me.

The Vice-Chair: Can I have the floor, please. We'll go back to the elections. We have two people.

Interjections.

The Vice-Chair: She's not part of the committee.

Interjections.

The Vice-Chair: Can I have the floor, please. We'll go back to the election. We have two candidates.

Mr Baird: I'd like to nominate my good buddy, my good friend, Kathleen Wynne.

The Vice-Chair: You cannot nominate more than one person.

Ms Wynne: I decline to stand.

Mr Marchese: I think you can nominate anyone, Mr Chair.

The Vice-Chair: I know, but at the same time, you have to decide—

Mr Baird: Why?

Interjections.

The Vice-Chair: Can I please have your attention. Are there any further nominations? I declare the nominations closed. We have two people nominated.

Mr Baird: Three.

The Vice-Chair: One declined.

Interjections.

The Vice-Chair: The first person nominated is Mr Racco. All in favour?

Mr Baird: I'd like to call a 20-minute recess.

The Vice-Chair: Twenty-minute recess.

The committee recessed from 1724 to 1744.

The Vice-Chair: The time is up and we have a motion for elections.

Mr Racco has been nominated as Chair of this committee. Everybody in favour?

Mr Baird: A recorded vote.

Ayes

Baird, Craitor, Fonseca, Jackson, Marchese, Racco, Wilkinson, Wynne.

The Vice-Chair: I guess there's no sense asking if there's anybody against.

Congratulations, Mr Racco. You've been elected to be the Chair of this committee.

Interjections.

The Vice-Chair: When I'm finished. I will give it to Mr Racco to be the Chair of the committee. Thank you very much.

The Chair (Mr Mario Racco): Can I say thank you to all of you for supporting me. I'll do my best to control this meeting, as I hope I have signalled by banging the gavel. I hope we will continue to express ourselves in a proper form, instead of wasting time as we seem to be doing.

APPOINTMENT OF SUBCOMMITTEE

The Chair: Now that we've dealt with this item, the next item is the appointment of a subcommittee. Mr Craitor, would you like to address—

Mr Baird: Point of order, Mr Chair: As Chair of the committee, it's my understanding, and I could maybe ask the clerk—

The Chair: I don't have to ask the clerk. Ask me the question, please.

Mr Baird: I don't think the Chair should make a value judgment as to whether something is a waste of time or not. I'm a member of this committee and I have moved a motion. It was debated by—

Interjections.

Mr Baird: It was debated. Who are you to say it's a waste of time?

The Chair: Excuse me. Can we hear Mr Baird? He has the floor. Continue, please.

Mr Baird: Who are you to tell me my motion is a waste of time?

The Chair: You made your comments. Thank you. Now can I recognize you, Mr Craitor, please.

Mr Baird: Point of order, Chair.

The Chair: Again?

Mr Marchese: Mr Chair, I really do think you should just slow down a little bit and be a bit careful.

The Chair: Excuse me. I have recognized a member of the committee. You have raised the issue. I heard you.

Mr Baird: It's a point of order. I'd like you to rule on it.

The Chair: I rule that I hear your comments. I am trying to have this meeting run. It's my opinion that we have not achieved much by this deferral for 20 minutes and I have expressed myself. You expressed yourself, and that is fine.

Interjection.

The Chair: I do have the right to express myself.

Mr Baird: No, you don't.

The Chair: Excuse me.

Mr Baird: No, you don't.

The Chair: I am the Chair and I have told you that I do. Thank you.

Do you have a point of order?

Mr Marchese: Yes. You have to be very careful. I know you want to jump at me for saying that, but you are the Chair and the Chair is supposed to be an arbiter of discussion. Your point about the waste of time is unnecessary. We, as members, can move that we have a 20-minute recess whenever we want. It is not for you to judge that. I'm just asking you to be a little careful how we proceed. If someone has his hand up, you have to acknowledge them.

The Chair: Let me say that I agree with you. I don't disagree with what you said, and I believe we have seen that happening today. Nonetheless, Mr Craitor, you have the floor.

Mr Kim Craitor (Niagara Falls): I'm pleased to move that the membership of the subcommittee on com-

mittee business be revised as follows: That Ms Wynne be appointed in place of Mr McMeekin.

The Chair: Any others?

Mr Baird: I'd like to speak to that motion.

The Chair: Yes, you can. That's in order. OK, sure.

Mr Baird: I'd like to indicate my strong support for the motion brought forward by the member for Niagara Falls. I think Ms Wynne would be an excellent member of the subcommittee. I have gotten to know Ms Wynne over the past year since she was elected. I have found her to be someone who takes her responsibilities as a member of the Legislative Assembly and as parliamentary assistant—I think she represents the riding of Don Valley West, which is an important riding because it's a real microcosm of urban Ontario. It represents some of the most vulnerable people and some of the most privileged people, so I think it gives her a unique insight to provide that leadership to the subcommittee. Her constituency has a long-standing record of electing some really phenomenal people to the Legislature, and so obviously—

Interjections.

The Chair: Could I ask that we have only one meeting, please? I really would like to hear Mr Baird's comments.

Mr Baird: I appreciate that, Chair.

I was quite surprised at your interrupting my speech.

Mr Marchese: We apologize to you.

Mr Baird: Thank you.

Ms Wynne has obviously earned the respect of her community, not just in terms of her years and time spent as a member of the Toronto District School Board. That would be the English public school board, where I know she was quite active in terms of representing the interests of the folks who sent her to the school board, so much so that she sought election to the Legislative Assembly, defeating a three-term member, and a minister at that. It's difficult to defeat an incumbent member, let alone a minister. I say to the member for Thornhill, he knows what it's like to defeat a minister; it's tough. To take on any incumbent MPP is difficult, but to take on a minister is particularly difficult. She, of course, defeated Mr David Turnbull, who was at the time the Associate Minister of Enterprise, Opportunity and Innovation—did I get that right?

Interjection: E-I-E-I-O.

Mr Baird: E-I-E-I-O. So she obviously is very adept politically at running, and I think she could bring those skills from the school board and from that campaign. She could also, I think, bring the skills that she gained while she was parliamentary assistant to the Minister of Training, Colleges and Universities. She did a lot in that position, and I expect she can bring those responsibilities to the important work of the subcommittee.

I think the subcommittee is important. The subcommittee, for example, meets, and it's a committee. We have a unanimous report from the subcommittee, for example, in front of us, and two members of the subcommittee are changing their minds. The Liberal members went to the subcommittee and said that this was fine,

that we could debate Bill 118, that we could have public hearings on the bill on January 31, February 1, 2 and 3. It even identified a reasonably good travel schedule that the committee could follow.

I think the member for Don Valley West would bring those same skills she's learned to the subcommittee, as the two Liberal members of the subcommittee did last time. The two members of the subcommittee agreed to this. I want to say that I know, if the member for Don Valley West had been a member of that subcommittee, she probably would have come to the same good judgment that the other members did.

I don't want to in any way, shape or form not speak to the good judgment and hard work of the member for Trinity-Spadina. Were you at the subcommittee meeting, I say to the member for Trinity-Spadina?

The Chair: Excuse me. Just talk to the Chair, please.

Mr Baird: Sure. I think he was at the subcommittee, the member for Trinity-Spadina, Mr Chair.

Interjection.

The Chair: Would Mr Marchese refrain from intervening? He can only address the Chair, please.

Mr Marchese: What are you going to do if I intervene? What are you going to do?

The Chair: Would you please allow him to continue? Please continue, Mr Baird.

Mr Baird: Please. I'm trying to speak here. Listen. Respect here.

The subcommittee agreed to four days. I want to tell you what I've learned from dealing with our government House leader, Dwight Duncan. Dwight gets so angry at Gilles Bisson, the whip, and John Baird, the opposition House leader, whenever we change our minds. We write things down on paper so that it's agreed upon, and then we get things done. Apparently, this was agreed upon. We said we would go with what the subcommittee agreed. Then the government House leader's changing his mind—

Interjection.

The Chair: Excuse me, is there a point of order?

Mr Wilkinson: Chair, we need some clarification. I'm not exactly sure whether the member for Ottawa-Nepean is speaking to the motion that we're discussing at the moment. It seems to be meandering—

Mr Baird: Listen and you'll find out.

The Chair: I agree with you. The only problem is that, as we know, he has 20 minutes. He will either say what he's saying or something else; he will still use 20 minutes. I guess we can challenge whether he's addressing the motion, but at the end of the day he will still use 20 minutes. Unfortunately, we have to deal with this reality. I would ask that you try to make your comments address the motion, please, as much as you can.

Mr Baird: "Unfortunately." It's unfortunate that I have to speak?

The Chair: Would you please speak and address—

Mr Baird: Point of order.

The Chair: Can you address the motion, please?

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Mr Baird: On a point of order, Chair: I take issue with the Chair characterizing that it is unfortunate the committee has to listen to my speech.

The Chair: No, it's unfortunate if you do not address the motion in front of us. So I ask that you please address the motion. I think it's understood by all of us that that is what the comments should be made on.

Mr Baird: We'll check Hansard on that.

The Chair: Please, move on.

Mr Baird: Anyway, I think the experience the member for Don Valley West gained and is gaining as the parliamentary assistant to the Minister of Education—if you go back, just to put this into context, traditionally the parliamentary assistant to the Minister of Education goes on to cabinet. The PAs to finance, health and education are sort of considered the big three for going on to cabinet.

I am predicting that before we go to the polls again, this member won't be on the subcommittee. That would be a concern I would have about electing her. That's my only concern, basically, about electing the member for Don Valley West: Will she commit to serve this term on the subcommittee? From what I hear—and I do listen to my friends in the media and in the opposition—there are people who think she would make a good minister.

Perhaps, as we debate this motion, she could give assurances to the committee that she's—the member for Peterborough has resigned because he couldn't do the work. I wonder what the member for Don Valley West's level of commitment is to the subcommittee. If offered a cabinet post, which would she give precedence to: her important responsibilities as a member of the subcommittee—

Interjection.

Mr Baird: Maybe she's not a good candidate for the subcommittee. If that call came from the Premier's office, I do have a concern that she might move on to greener pastures.

Mr Craitor: I hear the phone, John.

Mr Baird: My phone isn't here.

I'm concerned, actually. In my speech, I have to rationally think about whether I could support this motion, because we might be back here next week, next month, next year or in two years, and she may be in cabinet and we'll have to go through this all over again.

So in the conduct of this debate, perhaps she could give some assurances to all members of the committee, her own party included, as to what her level of commitment is to this. I know this member works hard and I know she is committed to the McGuinty agenda. I would want to know which is going to be paramount: her responsibilities as a PA, her responsibilities as an MPP, her responsibilities as a member of this committee, and now the added weighty responsibility as a member of this subcommittee? I say that these subcommittee meetings can clog whatever you want, whenever they happen.

Wagers of this order are not legal in the province of Ontario, so I can't make one. What I can say is that if I

could, I would be prepared to bet that the member for Don Valley West will be traipsing down the hallway upstairs with her Bible in hand to meet the Lieutenant Governor of Ontario, the Honourable James Bartleman, to be sworn in to cabinet.

I would think that her ability to be a member of the subcommittee would be affected, because she's not going to go into some junior cabinet portfolio; she's going to go right into the full gamut. That would make it even more problematic for her to assume the roles on this subcommittee.

So I'm going to put my concerns on the record: I hope she will take this responsibility as a member of the subcommittee seriously. She's asking for the support of all the members of this House.

When the debate goes around to the government caucus, I'm going to issue a challenge to the member for Don Valley West to state on the record her commitment to the work of the subcommittee, because I think it's either there or it's not there.

It's just a pleasure to be nominated to this committee, and she should take the pleasure of being nominated, as should Lisa Freedman. Lisa Freedman was nominated to be Chair of the committee earlier. It's a pleasure just to be nominated, I say to the esteemed table officer who has just entered the room.

So if this motion fails, I say to the member for Don Valley West, it's nothing personal; we just have concerns on this side of the table that you might be off to greener pastures. You could become parliamentary assistant to finance, and then you might have to go on the prebudget consultations and then neglect this work, and I have a real concern about that.

I have a concern that you may be asked by Dalton McGuinty to head a task force. I say to all the members there, task forces are things the Premier's office develops to keep backbench MPPs busy. I served on many of them because I had to be kept busy to be kept out of trouble. I'm concerned that the member for Don Valley West might be appointed to a task force, something like the agencies, boards and commissions review that I served on with Bob Wood as the chair. The member for Don Valley West might not just be asked to be a member of such a committee; she could be asked to be the vice-chair or, heaven to goodness, she could be asked to be chair.

These committees are put together by someone in the Premier's office, someone like Bob Lopinski. I spoke in the House today to congratulate Bob Lopinski; I hear he's moving on. I gave him some very nice words in the House to wish him well because he works very hard. Bob Lopinski's final act could be to establish a task force or someone to organize or co-chair a summit on a particular public policy issue. I've said the agencies, boards and commissions task force. I was also on the Agency Reform Commission. The commissions are the big ones. Task forces are chump change. Don't take the task force, I say to the member for Don Valley West. You want to be on a commission like the Agency Reform Commission, which reviewed adjudicative agencies. That was

very important work. I learned a tremendous amount there from a lot of people. You could also be asked to co-chair a summit. The Premier's office often organizes summits, which are basically meetings—conventions, meetings, get-togethers—but you call it a summit; that's what they do.

Mr Craitor: Like the Magna budget.

Mr Baird: No, no. Not like the Magna budget. A summit—

Interjection.

Mr Baird: Please. Listen, I'm trying to speak here.

The judgment of the member for Don Valley West would be better served if she was like the member for Perth-Middlesex. The member for Perth-Middlesex sent me a Christmas card with his family's picture on it. I was going to go after him in the House. I looked at the picture with all of his family in it and I replaced it with another name because I felt badly going after him once I saw his nice family. How could I go after him with his kids staring at me from my desk?

I have serious concerns with the appointment of Ms Wynne, because I think she's going to be a cabinet minister. I probably will vote for this anyway, despite those—can I ask, is this committee sitting till 6 or do we just sit indefinitely?

The Chair: Just continue and then we'll see. When you finish your part, we'll—

Mr Baird: Can I get a ruling? Are we required to adjourn when the House adjourns?

The Chair: No. We will sit as long as this committee intends to. So we will continue. If we can deal with the agenda by limiting our comments to the motion, it's always more efficient, I would suggest. But it's your choice.

Mr Baird: I appreciate that, Mr Chair. If I get answers from the member for Don Valley West with respect to her commitment to her membership, that would assuage a lot of my concerns. The member for Burlington is there. I'm going to go out on a limb and say it would assuage his concerns and the concerns of the entire official opposition. I dare say the concerns of the third party would be assuaged if you would speak to these issues that I'm raising before we vote on this. I want to know her level of commitment to these important responsibilities.

I say this all with the greatest esteem and respect. The member opposite knows that I admire her and respect her and she is—

The Chair: You still have another minute left on your remarks.

Mr Baird: She is, I would say, with great respect and admiration, perhaps somewhat misguided on the odd issue but well-intentioned nonetheless. She certainly has the skill to serve on the subcommittee, but does she have the commitment? And you know what? We have a right to ask these questions. We should have confirmation hearings for the subcommittee.

The Chair: Thank you. You asked your question and I appreciate it, and it's up to the member to answer.

If there are no other comments, all in favour of the motion? The motion is carried.

Is there any other business?

Ms Wynne: Mr Chair, I'd like to move the subcommittee report.

The Chair: Thank you. Any comments on that?

Mr Baird: On a point of order, Mr Chair: I would like to move an amendment.

The Chair: There is already a motion on the floor.

Ms Wynne: I'd like to move the subcommittee report and then I understand I can speak to it, and I have an amendment, actually, to the subcommittee report.

The Chair: I'd ask you to read it on the record. So you have the floor, and then I will recognize both of you. I know you want to speak.

Interjections.

The Chair: Excuse me. Can we have one meeting, not two?

Ms Wynne: Mr Chair, I just want to be clear. I'm going to read the subcommittee report, and then I would like to move an amendment to that report.

The Chair: Of course. I will recognize that, yes.

Ms Wynne: So I need to read the report, as it stands now, and then I will read my amendment.

The Chair: That's my understanding. So please proceed.

Ms Wynne: OK. Your subcommittee met on Thursday—

MINISTRY BRIEFING

Mr Jackson: On a point of order, Mr Chair: My point of order has to do with my legislative privileges as a member of this committee.

The Chair: Yes?

Mr Jackson: It has come to my attention, through the government House leader, that when I received my briefing on Bill 118 from the Ministry of Citizenship and Immigration, unbeknownst to myself, my staff and two other members of the House, those proceedings were being taped without our permission. I do not wish to raise this with the Speaker, although I feel I have a prima facie case of conduct that is inappropriate and unbecoming.

What I am requesting—and I wish to put it on the record—is that I receive a copy of the tape and a copy of the transcript so that I am protected in terms of some other party or parties alleging comments that were attributed to any of the persons in the room for the briefing; and, secondly, the civil service should be notified as well, because to my understanding, the civil service were unaware they were being taped.

This has been confirmed to me by the government House leader. As I say, I don't wish to make a big issue out of it on the floor. I wish to make sure that the committee is aware, because I will have an amendment to this that deals with the ministry briefing, which I think is an important part of the committee's work. If we're going to go on the road, we'd better get a more current briefing of this bill.

I'm in your hands, Mr Chairman. It's written into the record. I will take your guidance if that should be a motion requesting the minister, but I'm frankly very uncomfortable proceeding.

Mr Baird: You sound like Richard Nixon.

Mr Jackson: I'm very uncomfortable proceeding until I have some assurances, because I truly believe that a certain privilege has been breached here, and I take it very seriously.

The Chair: First of all, I thank you for raising the issue. It's my understanding that you have put it on the record and you are satisfied. I'm satisfied. Unless you are asking—yes?

It's my understanding that what he said is part of the record. So it will not cancel his comments if we agree or disagree.

Ms Wynne: It seems to me that if the member has asked for any record of that meeting that exists, certainly the government members would be happy that he would get that record. Whatever record of the meeting exists, you would get that.

Mr Jackson: I would prefer to have a motion which then is directed—this is a concern of the committee that the process—

Mr Baird: Is this being taped now?

Interjection: Yes it is.

Mr Jackson: The committee should be concerned that the process of us preparing ourselves to do clause-by-clause or public hearings or whatever be done in a manner that protects the rights of all members. So I would move that the Minister of Citizenship and Immigration be called upon to produce a copy of the tape and the transcript from the meetings that were taped without the approval of the participants, in particular the members of the Conservative caucus and their staff. I can furnish you with the date of that. I don't wish to speak to the motion. I would like the motion approved.

The Chair: If you've finished the motion, I'm prepared to ask for a vote, unless I hear any arguments. A member of this committee has raised an issue which is of significant importance. I would suggest that we clear it before we start getting to other issues, without commenting on the value of those other issues.

Mr Jackson, you have made your comments. Allow me to see if there is any disagreement on the government side and then—

Mr Jackson: My motion—

The Chair: I heard your motion.

Mr Jackson: OK, thank you.

The Chair: I think your motion on the floor is clear. Do I hear some comments?

Ms Wynne: Mr Chair, I'm not clear what the motion is. I think the issue is whether a record of that meeting exists and how we may or may not be able to get hold of it for Mr Jackson. I certainly would need to see the motion written before I could vote on it.

The Chair: If that is the argument, can I ask you to do so—we will continue with the rest and, when you're ready, I will come back to you, you will introduce the

motion and we'll deal with it. Would that be OK with you, Mr Jackson?

Ms Wynne: Could we take a five-minute recess and let Mr Jackson write the motion out? We'll take a five-minute recess, he can write it out, and then we will come back.

The Chair: That's fine with me, but I would suggest that we can continue. Allow him to write his motion. Let's deal with the rest.

Mr Baird: If you're asking for unanimous consent, we grant it.

The Chair: Excuse me, Mr Baird. You know very well that you don't have the floor until I recognize you. Could you please allow me to do my job? Please?

Mr Jackson, you don't have a problem with writing down your motion, do you?

Mr Jackson: I would prefer that before we proceed with ordering up the business of this committee—I'd just ask unanimous consent for a five-minute recess until we write this.

The Chair: What the government is trying to do is read the items, so she can very well continue reading the items on the record, and you can finish your motion. By the time she finishes, I will hear you. Is that a problem?

Interjection.

The Chair: Let me finish. I will recognize you once I finish with this suggestion.

Mr Jackson: I would prefer not to try and do two things at one time.

The Chair: OK, that's fine. I hear you. The motion on the floor is for five minutes. Do we agree on that? A five-minute break, please.

The committee recessed from 1807 to 1815.

The Chair: We all have a copy. Can we please read, and tell me when you're ready so we can address the issue. It's a short motion.

Mr Khalil Ramal (London-Fanshawe): On a point of order, Mr Chair: I don't know why we're going to vote on this motion, since this meeting never happened in committee. I guess it's out of our jurisdiction. We can send his motion request to the minister, and the minister will deal with it. We have no problem with that.

The Chair: So you're suggesting that this motion should be going to the minister and/or to the Speaker?

Mr Ramal: To the minister—

Mr Wilkinson: It's not in order for this committee.

Mr Ramal: No.

Interjection.

The Chair: I will recognize you next.

Interjection.

The Chair: Mr Jackson, the briefing had to do with Bill 118, yes or no?

Mr Jackson: It was entirely for the purpose of Bill 118. It was organized by the minister's office. I have the names of the ministry bureaucrats and the minister's political staff who were in attendance.

Mr Baird: Officials.

Mr Jackson: Officials. If you're asking me—I've thought this through. I would rather deal with it in com-

mittee, as opposed to taking up a half an hour to an hour of the House's time tomorrow on the issue. I'm not going to impugn motive or anything. I'm just going to simply say that the work of the committee—I'm a member of this committee. I will be a member of this committee throughout the hearings. I cannot function and do my job without that transcript, if in any way it can be used inappropriately for whatever purpose. So I will consider the matter finished if this committee says that any member who is requesting a document dealing with the bill—and that's what this document does. So I would argue that it's in order.

The Chair: OK. I'm trying to answer directly, and then it's up to the committee to rule. As you know, we're going to take a vote.

Mr Jackson: No, the Chair rules, in all due respect.

The Chair: If the motion should be—

Mr Jackson: In order.

The Chair: Yes. I appreciate that. I haven't done that yet because I'm going to hear comments.

Now, to the specific question: Did the discussion at the meeting address Bill 118? My conclusion from your comments is, no, it didn't.

Mr Jackson: They made a presentation.

The Chair: In your opinion.

Mr Jackson: No, it's not my opinion. The meeting was offered to me by the Minister of Citizenship and Immigration, the purpose of which was to brief myself and several caucus members on the content and substance of Bill 118—the only purpose of the meeting.

The Chair: Thank you. You answered the question. You heard the answer. Madam Wynne?

Mr Marchese: I was on the list.

Ms Wynne: I think he was ahead.

The Chair: I'm sorry. He was first. Mr Marchese, my apologies.

Mr Marchese: The fact that this occurred while they were discussing Bill 118 makes it the responsibility and obligation of our committee to deal with. I will speak to the motion as soon as it comes up, but I wanted to simply say, in response to Mr Ramal's point, that anything that happens as a result of Bill 118 that is a matter dealing with our members is the responsibility of our committee to deal with.

The Chair: Thank you for your comments. Now I go back to Madam Wynne.

Ms Wynne: It's my understanding that this tape and transcript is absolutely available to any member who was in that meeting who would like to see and hear it. I certainly would be happy to support this motion, with a slight amendment. When we're ready to discuss that, I'd be happy to.

The Chair: Can I then move on with the amendment that you would be recommending, and then we'll see if there's agreement?

Ms Wynne: I would support this motion if it read, "That the committee request that the tape recording and transcript of the Ministry of Citizenship and Immigration

briefing of the Conservative caucus on Bill 118 be immediately released to the member for Burlington."

The Chair: Can I ask Mr Jackson if he feels comfortable?

Ms Wynne: It's a friendly amendment.

Mr Jackson: I don't consider it friendly. My statement is that the matter ends here today if it goes in this form. If it doesn't, then I wish to have the matter taken to the full House and then investigated by the Speaker.

The Chair: Which you can, of course.

Mr Jackson: But I am stating for the record that that is not my intention. I want this motion put forward, and that'll be the end of it. Then I'll have my transcript and my rights will have been restored.

The Chair: You have made that point quite clear. Again, at the end of the discussion, when we take a vote, we will see. You have all the options in the world that you want.

Both Mr Marchese and Mr Wilkinson wish to speak. We only have a motion on the floor. There is no amendment yet. We are just trying to see if we can—

Ms Wynne: I actually have—

The Chair: So you did move the amendment?

Ms Wynne: I moved the amendment to delete "that occurred without notice or approval."

The Chair: So that is the amendment. There is an amendment on the floor. Can I ask that we speak on the amendment? Normally—I'd better be careful because the rules could be different here—we would vote on the amendment, the one at the moment, and then we would move into the motion as amended or not amended. That's the procedure.

Mr Marchese: So we're speaking to the amendment?

The Chair: To the amendment now. Let me recognize Mr Marchese and then Mr Wilkinson, and we'll move from there.

Mr Marchese: Here's the problem we have: Evidently, there is a transcript available or that was done, recorded conversation that happened in that meeting while he was getting the briefing. No one knew about it. To delete the fact that it occurred without notice or approval would be a problem.

Now, while I recognize that government members want to pretend or hide the fact that it happened without notice, if that's what they want to pretend by deleting those words, that would be a travesty and a tragedy. The point of the matter is that what happened is reprehensible. If you're going to tape someone or tape the proceedings, it would be good for us to know in advance so that we are all comfortable about what is being recorded. It makes us all very wary about what we say, if that's the purpose of that recording.

Remarks were recorded without his knowledge. That's what's reprehensible. To delete that sanitizes the motion unfairly, and it would only compound the problem that has already occurred. If it happened and then this committee wishes to hide the fact even further by deleting these remarks, they make the situation worse. I hope that

the mover will retract it, because it doesn't help this at all.

The Chair: Thank you for your comments. Mr Wilkinson, please? Only on the amendment, of course.

Mr Wilkinson: I want to weigh in on the amendment. Of course this has been news to me. I have the greatest respect for the honourable member from Burlington and also the member from Trinity-Spadina. The amendment, and the deletion of it, takes out a question on which I am not able to decide whether or not it is fact. I understand from the government and my colleague that the tape exists. I understand that the minister is more than happy to release that.

On the issue of this other matter about the notice, it would be improper, in my opinion, to vote on something without hearing the other side of the case. That would be a travesty. You may consider it to be reprehensible, but I think we would compound it by having a travesty of natural justice if we were to vote with the motion as it stands without deleting the offending clause, because you're asking us to vote on a pig in a poke.

With the greatest respect, I'm in favour of the amended motion and I hope it would carry. Then, I think, the member has—because this is a public meeting. It's on the record. I don't think there's anything being hidden. This meeting is being recorded. I'm sure, if the honourable members want to make this a more public question, then at least we would have—for example, if this were to go to the press, the press would want to know both sides of the issue, or if you want to take it to the House.

But let's get that tape out there. I think you're absolutely right. You need to see that. The other issue is one that should be dealt with, but I can't see how it could be dealt with in this committee, which would not have the ability to hear all sides of the issue.

The Chair: I do recognize both Mr Marchese and Mr Jackson, but I will allow Mr Jackson to speak, because Mr Marchese spoke last. I would invite all of us, if we can, to try and talk as quickly as possible on this issue so that we know where we stand. Mr Jackson, please.

Mr Jackson: In my 20 years here, it's unusual for me to be in any kind of situation where the rights of any member are not taken with the utmost seriousness. The representative from the government whip's office is here. She has confirmed to me that the tape exists. That has been confirmed by Ms Wynne. There was no permission sought. Again, I'm not impugning motive with my motion. I certainly am going to have concerns that I now have the conduct of a minister and the inability of this committee to protect one of its members.

So I have stated—and that is the issue, and perhaps Mr Duncan's office should be apprised—that I'm willing to end this issue now with this amendment. I'm not prepared to end it—I've checked the legal precedent on this, and there are serious implications involving the Attorney General's office. I do not wish to go that route. I am prepared to do that on the very last day and take up well over an hour of the House's time tomorrow. But this motion goes in the way it was delivered by the govern-

ment to me as the member, and if I'm protected, that will be the end of it. But I don't wish to go forward, because now I'll have a concern raised about the committee's inability to protect a member.

The question, with all due respect, Mr Wilkinson—it is not an open question as to whether or not a tape exists and whether or not we were informed. We were not informed.

Mr Wilkinson: You're not the judge and jury of the ministry.

Mr Jackson: I'm not personifying this.

Mr Wilkinson: Yes, you are.

The Chair: Please. Can we have one meeting? Mr Jackson, thank you for your comments. Mr Marchese, and then Ms Wynne after that.

Mr Marchese: With all due respect, as lawyers say, Mr Wilkinson, let me analyze your logic. You're saying that we do not know about the veracity of whether or not the event occurred. At the same time, you're asking for this tape.

Mr Wilkinson: I understand it exists.

Mr Marchese: I see. You understand there is a tape that exists but you don't understand whether or not it occurred without notice.

Mr Wilkinson: I'd have to hear from the minister on that. You don't know and we don't know.

Mr Marchese: Follow the logic.

The Chair: Mr Marchese has the floor. Please continue.

Mr Marchese: You're saying that what is in doubt for you is whether or not it occurred without notice.

Interjection.

Mr Marchese: OK. But you are OK with the fact that we are requesting—

Mr Baird: That he claims. How about if we add that?

Mr Marchese: Hold on.

Mr Jackson: Do you not believe what I just said to you?

Mr Wilkinson: Do we not get to hear the minister? Is she not an honourable member as well?

Interjections.

The Chair: Excuse me. Can we have one meeting here? I would ask all of you to respect—

Interjections.

The Chair: Mr Baird, I don't think you have the floor. Mr Marchese has the floor. Don't ask questions, Mr Marchese. Just make your comments. Otherwise, there is a problem. You can ask a question, but don't expect him to answer right away. Finish your comments, and then I will recognize the others.

Mr Marchese: I didn't ask him a question.

The Chair: Go ahead, please.

Mr Marchese: Mr Wilkinson says—the dispute between the two of us is that he says if we scratch out “that occurred without notice,” then he's OK with requesting the tape. The two are very linked. If he doubts that the tape exists, then he should vote against the entire motion. I'm saying there's a fault in his logic. Either a tape exists or it doesn't, and if the tape does exist, if

that's what he's supporting, then it leads to the other logical conclusion that it was taped without notice.

Mr Wilkinson: That's not logic at all.

The Chair: Please. You have the floor.

Mr Marchese: Perhaps I'm escaping his logic. I really would like him to speak again. If he's OK with accepting the tape—that's what he's requesting with that motion—my argument, and why I support the second part of it, is that it was done without notice and it was not approved. That's what's reprehensible. Even if it wasn't done without notice, let us say, the fact that it was taped, however that happened, is still reprehensible. That there was a tape of the proceedings is reprehensible. It's made worse if I don't know about it. Both are linked and both are bad and reprehensible.

I'm really not in favour of this amendment.

The Chair: Thanks. Ms Wynne, please.

Ms Wynne: I want to be clear about why I've brought this amendment. That is, I do not feel that I am in a position to vote on this part of the motion. I am absolutely clear that Mr Jackson has every right to look at the tape and get the transcript of that meeting. That's clear.

In terms of whether there was notice or approval, that's not something that I feel qualified, at this point, to make a decision on. If we can pass this motion with the amendment, and if he wants to take that issue up in another venue, then I think that's absolutely the way it should happen.

I also think—I want the record to be clear that we came here today to talk about the number of days of committee hearings that we would have on Bill 118, which is the amendment to the Ontarians With Disabilities Act. The government members really would like to get to that discussion because we really believe that there should be a substantial number of days of hearings. I think it's clear that the opposition members do not want to talk about that, and I think that's very unfortunate.

The Chair: On the motion, anyone in favour of the amendment, please?

Mr Marchese: Recorded vote.

The Chair: Recorded vote.

Ayes

Craitor, Fonseca, Ramal, Wilkinson, Wynne.

Nays

Baird, Jackson, Marchese.

The Chair: Therefore, the amendment carries.

There is a motion, as amended, on the floor. Do I have anybody in favour of the motion, as amended?

Mr Marchese: No, now we debate the main motion.

The Chair: Yes, it's the main motion, which is as amended.

Mr Jackson: I'd like a 20-minute recess so I can speak to the government House leader.

The Chair: It's to be understood that when we come back, we are voting on the original motion, as amended.

Mr Jackson: No.

The Chair: Well, that's the motion on the floor.

Mr Marchese: We're going to debate it.

The Chair: Yes, of course we will debate it.

Before you go, let's see if we agree. I don't have a problem. Do you wish me to order some food so we can celebrate at midnight or prior to midnight?

Mr Baird: Let's chat first.

The committee recessed from 1830 to 1846.

The Chair: I believe we are back to the agenda. The next item on the agenda is the original motion, as amended. Therefore, I ask for those in favour of the motion, as amended.

Mr Baird: On a point of order, Mr Chair: Before we broke, you said you would allow debate on that question, and you confirmed that for the record. We can check the tape.

The Chair: My understanding is that we made it clear that if we had the 20 minutes we—

Mr Baird: No, you didn't, Chair. I'd like the tape replayed out loud, and if I'm wrong—

The Chair: Is that your understanding? Maybe you could double-check it.

You want to debate it to try to avoid more—OK?

Mr Baird: To try to avoid what, Mr Chair?

The Chair: To try to—

Mr Baird: To avoid what? I reject these characterizations that are partisan. You are the Chair of this committee and you have to show us a little goddamned respect. I will not be treated like this.

The Chair: Mr Baird, what did I say?

Mr Baird: I will not be treated like this.

The Chair: What did I say that offended you?

Mr Baird: You are constantly, since you took that chair, characterizing our decisions as a waste of time and passing down your judgment, and we will not stand for that.

The Chair: Would you tell us, what did I say?

Mr Baird: I'd like you to have played the tape. I'd like the tape replayed of what you just said.

The Chair: I guess you want to waste another half an hour.

Mr Baird: Waste another half-hour? Who the hell are you to tell me that I'm wasting my time?

The Chair: Mr Baird, we have—

Mr Baird: Who the hell are you—

The Chair: It's open for discussion. Any discussion? Ms Wynne, please.

Mr Baird: Point of personal privilege.

The Chair: What is your personal privilege?

Mr Baird: I have a point of personal privilege.

The Chair: What is it?

Mr Baird: I'm challenging the Chair. You are being biased. You are obviously taking the Alvin Curling playbook, and that is unacceptable to the opposition. We will not sit back here while you characterize our actions

with value judgments. You are forbidden from doing that, absolutely forbidden.

I would like to move a motion of non-confidence in the Chair, that you be removed. I would like to move a motion of non-confidence in the Chair.

The Chair: Can we just get some clarification, please?

Interjections.

The Chair: Excuse me. Can I get clarification, please, and then I will rule.

Would the clerk maybe explain to us what she is telling me so everybody can hear the same story, and then we'll move on, please. Would you explain what is the problem with the request from Mr Baird, please.

The Clerk of the Committee (Ms Anne Stokes): A committee cannot decide a point of privilege. The Chair cannot decide a point of privilege. Only the House can decide a point of privilege. The committee could refer a point of privilege to the House.

The Chair: Thank you.

Mr Baird: What procedures exist, Madam Clerk, to remove a Chair?

The Clerk of the Committee: To remove a Chair?

Mr Baird: Yes.

Interjection.

The Chair: Excuse me. Do you have an answer?

The Clerk of the Committee: The committee elects the Chair. The committee could vote to elect a new Chair.

Mr Baird: And like in the House, when you put a motion to remove the Speaker, that has precedence over all other business, I believe. Is that not correct?

The Clerk of the Committee: This isn't the House—

Mr Baird: What rules do we operate under, then?

The Clerk of the Committee: I don't know. I would have to get some advice on that.

The Chair: Since there is a—

Mr Baird: OK. I would like that. I would like to move a recess until we get that advice.

The Chair: OK, a five-minute recess, please.

The committee recessed from 1850 to 1855.

The Chair: Can we please resume the meeting? Before we start, let me say that I understand that there is a feeling that I am not being neutral. I apologize for that. I honestly don't think that I am trying to cause any difficulties for the opposition in particular. I thought I had been recognizing the opposition—realizing that there are two parties—more often than the Liberals. Nonetheless, I do apologize if that's the perception. My objective is to try to come up to a conclusion, which I think is in everybody's best interest. Having said that, I understand that there is a number of concerns that some members have, that I don't see them as some members

do. Therefore, again I apologize if anybody feels that I am not treating everybody equally. That's not my intent.

What I have now is a motion on the floor, as I understand. There is a motion on the floor—let's see if we can all agree—as amended. That's the motion on the floor. And I'll recognize all of you before we do anything else.

Interjection.

The Chair: Allow me to finish, please.

There will be a discussion on the motion, as amended. That will be the case. Now, if there is any point of order prior to that, I'll recognize that, and then we'll move on.

There are two of you. Can I—Mr Bisson has not spoken?

Mr Baird: Just a very short one. Chair, I just would apologize to you and the members of the committee for my choice of language. In the heat of the moment, you do say things you regret, and I do apologize.

The Chair: Thank you. Mr Bisson?

Mr Bisson: Just two things. First of all, Chair, to your comments. I appreciate your willingness to apologize—that's very good—but just to be clear, the job of the Chair is not to try to bring a conclusion to the discussion. That's up to the committee.

Mr Ramal: Point of order: He's not a member of the committee.

The Chair: Let me answer. It's my understanding that he can comment on—

Mr Bisson: Any member can walk into any committee.

My point is that it's up to the committee. Now, I believe we've had a discussion among the parties that we adjourn this committee till tomorrow and the whips will deal with the issue, rather than having a long, protracted discussion tonight.

The Chair: OK. May I—

Ms Wynne: Mr Chair, that's actually just what I was going to say, that if we could set up a meeting for tomorrow, adjourn now, and return to this discussion, I think it might be the wisest course.

The Chair: Therefore, if that is the case, can I have a motion—

The Clerk of the Committee: You don't need a motion.

The Chair: There's no motion? So if everybody agrees, we will resume—do we have a time tomorrow? Did we establish that or do we leave it to the whip to do that?

Ms Wynne: I'll make a motion to adjourn, Mr Chair.

The Chair: Move to adjourn? Anyone in favour? Carried. Thank you.

The committee adjourned at 1900.

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Thursday 16 December 2004

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Jeudi 16 décembre 2004

**Standing committee on
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ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
SOCIAL POLICYCOMITÉ PERMANENT DE
LA POLITIQUE SOCIALE

Thursday 16 December 2004

Jeudi 16 décembre 2004

The committee met at 1620 in room 151.

MINISTRY BRIEFING

The Chair (Mr Mario G. Racco): Can we please start, and we'll go as necessary. I believe when we left yesterday, we had—

Ms Kathleen O. Wynne (Don Valley West): Mr Chair, could I make a suggestion? In order to conduct the business, there is some information some of us need to get. Could I ask for a recess until 4:30?

The Chair: You can ask that. My perception was that there was no issue on the next item on the agenda. If there is an issue, fine. If there's no issue, can we address that one?

Ms Wynne: I'd like to request a recess until 4:30.

The Chair: Till 4:30? Fine. Any questions? All in favour? Carried.

The committee recessed from 1620 to 1644.

The Chair: Thank you for coming. Sorry for the delay, but I think it was wisely spent, as I understand it. We will continue where we left off yesterday.

There was a motion that you, Mr Jackson, put on the floor. The motion was amended and we are open for discussion. Can I start—

Mr Cameron Jackson (Burlington): Call the question.

The Chair: OK. Everybody agrees?

Ms Wynne: Mr Chair, I do need to go back to the motion for a moment, if you'll indulge me.

Mr Jackson: I think I called the question. I'm the mover of the motion.

Ms Wynne: OK; fine.

Mr Rosario Marchese (Trinity-Spadina): Recorded vote.

Mr Kim Craitor (Niagara Falls): Could you just read the motion?

The Chair: Would the clerk do that, please? It's the motion, as amended.

Interjection.

The Chair: Mr Jackson, I understand that you should read it.

Mr Jackson: "That the committee request that the taped recording and transcript of the Ministry of Citizenship and Immigration briefing of the Conservative caucus on Bill 118 be immediately released to the member for Burlington."

The Chair: Thank you.

Ms Wynne: Mr Chair, I have a procedural question. I don't know the procedure here. I have a question about the substance of the motion. I have different information today than I had last night and I need to know how to proceed because I have new information.

Mr Jackson: I've called the question, Mr Chair.

The Chair: Therefore, we go for the vote.

I'm told that the vote we are going to take is on calling the question. If the motion carries—the rules are the same as I seem to be familiar with. The motion on the floor right now that we're going to vote on, if there's agreement, is on calling the question. If the motion carries, then we address the motion on the floor. That's my understanding. Can I move on with the vote?

Mr Jackson: I've called the question. You're calling the question to vote—

The Chair: —on you calling the question.

Ms Wynne: We're voting on whether to call the question.

Mr Marchese: Not on the motion.

The Chair: Not on the motion.

Mr Marchese: You're OK with that, Cam?

The Chair: Those are the procedures, I'm told by staff. If that is the procedure—

Mr Jackson: I called the question.

Mr Marchese: The understanding that we had—I don't mind accommodating the Liberal member if she wants to make some other change, but I thought we were going to vote on the motion rather than on calling the question. But if Cam is OK, I'm happy to have Kathleen have whatever question she wants to ask on the other.

Mr Jackson: I thought I called for the vote.

The Chair: Did you move—

Mr Jackson: The motion is on the floor already. I moved it, correct?

The Chair: Yes. Then you asked that we take a vote, and I believe the question is, did you ask for closure? That's the question. Did you do that? I rely on what you're saying.

Mr Jackson: I'm asking for the vote to occur now.

The Chair: That's fine. We are going to—

Ms Wynne: Sorry, Mr Chair, then I need to ask for a five-minute recess.

The Chair: You can have a five-minute recess.

The committee recessed from 1650 to 1659.

The Chair: We're going back to the recorded vote.

Interjection.

The Chair: That's fine. I think there is a quorum.

Interjection.

The Chair: Do you want me to hold on? Fine.

Mr Marchese: I'm happy to let the Chair hold on so you can get your members here. It's OK.

Interjection: Or we can let the Chair break the tie.

Mr Marchese: But if he breaks the tie, he's got to go with the opposition.

The Chair: Are we ready to move on? The motion is for closure, a recorded vote.

Ayes

Chudleigh, Jackson, Marchese.

Nays

Craiton, Fonseca, Wilkinson, Wynne, Zimmer.

The Chair: The closure motion doesn't carry and we are left with the motion, as amended, on the table. Any discussion on the motion?

Ms Wynne: I'd like to move an amendment to the motion. I'd like to amend the motion so it would read, that the committee request that any existing tape recording and transcript of the Ministry of Citizenship and Immigration briefing of the Conservative caucus on Bill 118 be immediately released to the member for Burlington.

It's the deletion of "the" after "that" and the addition of "any existing" before "tape recording."

The Chair: Do I have any discussion on the amendment?

Mr Jackson: First of all, the purpose of the recess was to try to work out some kind of accommodation, and unfortunately that did not occur. What is before us is a motion which the Liberal members approved and agreed to last night and in fact we amended. How many times are we to sit here and get amendment after amendment?

Mr John Wilkinson (Perth-Middlesex): We stopped after your member threw a hissy fit.

The Chair: Please. Mr Jackson, you have the floor.

Mr Jackson: OK, that's two amendments I've got ready. Keep it up.

The Chair: Mr Jackson, you still have the floor.

Mr Jackson: The current amendment, first of all, had the support of the full committee, or had the support of the Liberal members of this committee earlier when it was before them. An original amendment was made which I might have considered out of order, but I respect the ruling of the Chair in that regard and I accept that. But in this instance, we have confirmation that tapes do exist, and I have that confirmation given to me by Ms Carol Price, who works in the government House leader's office. We also have the confirmation on at least two occasions by a Maria Papadopoulos, who works in the government House leader's office, that the briefing regarding the bill before this committee, requested by the

Minister of Citizenship and Immigration in this building on December 15, was taped.

If the government members, by their injecting this amendment, are confirming the fact that those tapes may have been destroyed by their statement that tapes don't exist—in fact, this was President Nixon's defence with his minions in what I can only imagine was the equivalent of a House leader's office in the Oval Office of the United States or the office associated with the conduct of the House. This is what Richard Nixon did. The fact that the tape may not be available today doesn't in any way detract from the fact that the tape did exist in order for me to have a transcript.

It's interesting to note—and this is why I'm insisting that the motion stay as it is, because it's the simplest way to extricate this committee from the debate and move on to the important business of selecting the public hearings for Bill 118.

For the record, I didn't choose to make this controversial. I didn't even ask for a briefing. Now I'm asked to travel around the province and listen to input from the public when I had raised some very important questions to the ministry staff, which now are recorded and represent a series of important insights into this legislation, which I do not have access to and neither do other members of this committee.

The government wishes to modify this after the fact, and that should be of concern. There are legal implications for attempting to change the motion when in fact the motion came from me, as the member who has been aggrieved by the conduct of staff in the Ministry of Citizenship and Immigration. For that reason, I feel it is important that we leave the motion the way it is. If the government wishes to respond and say they no longer exist, that's fine.

I want to move off the point about who it was—we know who taped us, how it was taped, who had access to the tapes, who has copies of the transcript. I can assure you of this: Civil servants would be loath to lie about the fact that transcripts are a compilation of their notes, because I'm quite mindful of those who took notes during the course of the interview. As well, I want to share with members of this committee that most of the people who were in that room were well known to me, because I was the former minister responsible for the legislation and was raising questions of a very detailed, specific nature about the government's legislation. So I have the utmost confidence in those civil servants and, as I said on the floor of the Legislature earlier today, I have concerns about the fact that even they may not have known that the proceedings were being taped.

In my view, this is just an attempt to embroil this committee even further. I was careful to say in my motion that I read into the record on the floor of the Legislature last night—and I have my notes here—that it failed to get the support. I didn't impugn any—that it was a cover-up, that in any way, shape or form this committee was implicated in it. But I can tell you, for this committee to start changing course at this point is a serious matter.

The issue is about me gaining access to documents that attribute comments said to me on a specific date, and those comments—my right as a member to have them. I cannot continue or proceed to do the work on this bill when I've been treated in this fashion. Those are the rights that I wish to have protected.

There was agreement last night in order to give me access to that information. Now, all of a sudden, the whip of the committee for the Liberal caucus says it's unacceptable to her. I don't know where she got her marching orders from, but in the discussions with the House leaders this morning, at noon and this afternoon, not once was this issue raised and brought to my attention that this was a matter of contention. Now, at the eleventh hour, it's contentious. If the government has chosen to make it contentious, I feel I have the right to consider this and the subsequent amendments that I will be bringing forward in order to resolve this as simply and as amicably as possible. That offer was made last night and was rejected. A second offer was made a few moments ago to Ms Wynne, and it apparently has been rejected.

If we want to continue with this, we can continue with this.

The Chair: I have two speakers who wish to speak on this topic. The next one is Madame Wynne and then it's Mr Marchese.

Ms Wynne: I want to be clear why I am moving this amendment. I am a new member, and I absolutely admit that I don't have the experience of the member for Burlington, so I'm being as cautious as I can in terms of the language that is used.

In the House today, I heard different versions of the issues surrounding this motion. What I am trying to do is put language in place that will give the member for Burlington what he has asked for, because it is absolutely the government's intention to provide whatever exists in terms of the documentation from this meeting.

If we were to do a linguistic analysis of this motion, in fact, the additional wording makes it more explicit that any documentation that came out of that meeting is to be available to Mr Jackson. The first wording just says "the tape recording and transcript"; it doesn't say that everything that exists in terms of documentation should be available to him.

What I'm trying to do is make it explicit that whatever exists that came out of that meeting and that the member has asked for should be made available to him. Obviously, if something doesn't exist, then it's not something he's going to be able to have access to anyway. His argument would hold water if we were trying to narrow his access, but in fact we're trying to make it explicit that everything that exists in terms of documentation coming out of that meeting should be made available to him.

It's completely within the rights of a member to move an amendment to a motion, which is what I've done. I really hope he'll be able to support it, because it will give him exactly what he needs, which is access to the documentation that came from that meeting.

The Chair: The next speaker will be Mr Marchese, and Mr Zimmer after that.

1710

Mr Marchese: I'm supporting Mr Jackson's motion as it was, for a number of reasons. Yesterday, the Liberals moved an amendment, which they obviously were able to succeed in passing because they have a majority. The amendment deleted the following words: "that occurred without notice or approval." So they were OK with the rest of the motion but today they're not OK with the current motion. They want to amend it on the basis of what they've heard. What they're trying to do is sanitize the motion and in fact to annul the effect of the motion. The amendment simply states any existing taped recording, to suggest there is no tape recording.

The problem is the following: We had Ms Price confirm yesterday that the tapes existed and that she was willing to release them. I feel bad for Ms Price, quite frankly, because it puts her in a very difficult position. She merely was doing what she was told by others, whether her boss or somebody else, that the tape existed. So poor Ms Price is now stuck in a position to have to deny that she in fact said that to Mr Jackson. Imagine how difficult it must be for the poor woman to be put in a position to have to say, "No, I didn't say that to Mr Jackson"—

Interjection.

Mr Marchese: I will get to that—and for Mr Jackson then to say, "Yes, you did," and for the poor woman to have to deny and deny and deny. That's why I feel, alas, poor Ms Price is going to have to pay the price—excuse the pun. So that's one difficulty.

The other difficulty—and this is where I believe Ms Price over anybody else. I believe Mr Jackson, but I also believe Mr Dwight Duncan, who evidently confirmed in a conversation with Mr Jackson that a tape exists. Now, Mr Duncan is likely to say that that conversation never happened. What else would he say? And Mr Jackson will then have to say, "Yes, it did." Mr Duncan, in the absence of a recording or a taping, will deny it, because there is no recording of that particular conversation between the two of them. So you've got poor Ms Price having to deny, poor Mr Dwight Duncan—although I don't feel so bad for Mr Dwight Duncan—will have to deny, and he will do it with a straight face. He's capable of doing it with a straight face, because I've seen that. The only other person who is capable of doing that is Mr Kennedy.

It would be very difficult to put Ms Price on the stand, so to speak, and say, "Can you confirm or deny that a conversation existed between you and I or transpired between you and I yesterday night, at approximately 5:45, where you in fact indicated there was a tape and that you were willing to make it available?" I could just see her turning red when she says, "It didn't happen," because she doesn't strike me as the type of person who knows how to hide certain things that happen to her.

These are the two facts I put in front of you. I call them facts on the basis that I believe they really

happened as I state them. I know my friend Mr Zimmer, as a lawyer, will present a legal defence for their denial, and that's all fine, really.

What I really want to say to the Liberals is the following: If you believe the tape doesn't exist, vote against it. Don't sanitize the motion, or don't pretend by the wording that you're being cute, you see. You obviously believe there is no tape, on the basis of information by staffers here and others—poor staffers as well; I feel bad for him too, but maybe not so bad—that this tape doesn't exist.

If you believe him and what other conversations have transpired since the debate in question period, simply vote against it.

Ms Wynne: We want to give him the transcript.

Mr Marchese: If you believe the tape transcript doesn't exist but maybe the written notes, say the tape recording—

Ms Wynne: The notes, right.

Mr Marchese: Oh, yeah, the transcript would be the written notes. Right.

My view of the situation is that the conversations have been taped. The government doesn't deny it in terms of what we heard in question period. In fact, I was very troubled by the manner in which some members of this committee and others in the Legislature, including ministers, spoke lightly of it. They were almost flippant. I heard one minister saying, "Do you really think this is important?" or "Nobody believes this is important." I won't name her because it's not nice; but just to treat the conversation lightly around a matter that I find so profoundly important: that conversations could have been taped.

We're talking about a briefing where a member sits with staff, political and civil servants—because I've been through these in a number of different capacities—and they give you a briefing on a particular bill. Nothing untoward ever happens that I'm aware of in terms of a description of the bill and answering your questions. It's really a very harmless process. Why you should feel the need to tape a conversation between a politician and a response from staffers is beyond my comprehension.

So questions were raised: Are we really taping the conversations or the responses of the provincial staff, civil servants, or are we really concerned about the remarks made by an MPP as to the types of questions they ask around a particular bill? Those mystify me. Why would you be concerned about answers that are given by civil servants? Is it a measure of testing their ability to be able to respond properly? Is it the adequacy of their responses, ie, were they improper? Did they reveal too much, or not reveal enough perhaps? Are they incompetent in the way in which they express themselves and maybe need training? Is that the purpose of that recording? If so, I find it objectionable. Is it to record the remarks made by an MPP as to the types of questions about a particular bill, let's say an education bill, and you want to ask what it means, or questions of clarification? You would want to tape that? It makes no sense.

For MPPs to take this matter lightly, I find it particularly offensive. I find the taping reprehensible, odious and insidious, the whole thing, including the fact that our leader said this is a breach of the Criminal Code.

I believe the motion as is currently before us really speaks to the truth as I have heard it from Ms Price and Mr Jackson, who stated—and other arguers will argue on the other side—a claim by Mr Jackson that he had a discussion with Mr Dwight Duncan wherein he stated that the tape does exist, as a way of intimidating perhaps or as a way of being offensive, I don't know, but I really object to the amendment.

I didn't like the conversation as it occurred in question period. I found the ministers' and MPPs' reaction to it offensive. I am happy the Premier did say, in spite of all the reservations and qualifiers, that he's going to end this practice—God bless. At the end of that discussion he did state that. That doesn't eliminate the fact that this has happened, with or without the knowledge of MPPs and/or ministers. That should be dealt with as well. I'm happy the Premier is ending that practice, but I will be voting against the amendment.

Mr David Zimmer (Willowdale): This discussion reminds me of a linguistic analysis, a graduate seminar in philosophy that Russell, Wittgenstein and A.J. Ayer would be pleased to attend.

By way of textual analysis, first, Mr Jackson's proposed motion says "the taped recording and transcript" of X, of an event. The point to be taken from that phrase, "the taped recording and transcript" of event X has to necessarily refer to a taped recording in a point of time, that is, any tape, or alleged tape, made at the time of the meeting.

It seems to me that in the amendment, the expression "any existing recording and transcript" of event X, as a matter of textual analysis, is a much broader net, because it would include any copy of any tape. It would seem to me that if Mr Jackson really wants to get any tape out that may exist, if in fact one exists, then the amendment proposed by Ms Wynne is a broader and more comprehensive way to get at it. So as a matter of logic and, in effect, a way of helping Mr Jackson in his quest here, I support Ms Wynne's amendment.

The Chair: There are no more comments; therefore, I'll call for the vote.

Mr Jackson: Mr Chairman, I request a 20-minute recess.

The Chair: Thank you. Twenty minutes are given. We'll recess for 20 minutes.

The committee recessed from 1720 to 1738.

The Chair: I believe the motion in front of us is the latest amendment, which we're going to vote on. Comments?

Mr Jackson: I listened very carefully to what Ms Wynne had to say about her reasons for changing her mind since yesterday. Ostensibly she said, "I heard different versions in the House today." The only version that changed was from her government. The statements of Carol Price have now been called into disrepute and the statement by Maria Papadopoulos has now been

called into disrepute, and the committee relied on that information yesterday.

I do have a motion dealing with the fact that this committee was misled by staff representing the government House leader and the whip's office. As such, I will be presenting an alternative motion in the event that this motion goes through.

Further, Mr Chair, I would like to move an amendment to the amendment to delete the word "existing."

The Chair: For our record, I believe that would be the third amendment. One carried, there is one in front of us and that is another amendment to the amendment.

Right now we are going to deal with deleting the word "existing." That is the motion in front of us for discussion. Agreed? That carries.

Therefore I have the amendment, as amended, and we're going to take a vote on that if there are no comments. Everyone in favour of the amended—

Ms Wynne: Could we just read the motion, so that we're clear?

The Chair: It's your amendment, so you may want to read it.

Ms Wynne: What we're voting on is that the committee request that any taped recording and transcript of the Ministry of Citizenship and Immigration briefing of the Conservative caucus on Bill 118 be immediately released to the member for Burlington.

The Chair: Is that understood? Any comments on that? If not, I'll take a vote.

Mr Marchese: A recorded vote.

Ayes

Craitor, Wilkinson, Wynne, Zimmer.

Nays

Marchese.

The Chair: That amendment is carried.

Now I'm going to take a vote on the amended amendment. The motion was amended by the two amendments. Is that the one in front of us? OK. Basically what we have is the motion, as amended, and there are two amendments to it. If there are no other comments, I will ask for a vote.

Anyone in favour? Anyone against it? The motion, as amended, carries.

We've dealt with the first item on today's agenda.

The next item on the agenda—

Mr Jackson: On a point of order, Mr Chair—

Ms Wynne: Mr Chair—

The Chair: Let me recognize the point of order first.

Ms Wynne: I'd like to move the subcommittee report—

The Chair: Mr Jackson's point of order.

Mr Jackson: On a point of order, Mr Chairman: I wish to present a further motion that flows from the amended motion presented by the government.

Mr Wilkinson: On a point of order, Mr Chair: Mr Jackson clearly said "point of order." How can a motion be a point of order?

The Chair: I have to agree, and therefore I will not—

Mr Jackson: You've recognized me, Mr Chair. I move that the committee express concern to the Speaker that during the—

The Chair: Mr Jackson, just allow me to hear the point of order.

Mr Wilkinson: On a point of order, Mr Chair: Ms Wynne asked to make a motion. Mr Jackson asked to make a point of order, and he did not make a point of order. So how, exactly, does he still have the floor, when one would assume it would go back to Ms Wynne, who actually, I believe, has a motion? If she doesn't have a motion, she should be out of order as well. But my gut tells me she probably has something to talk about that's a motion.

The Chair: I thank you, Mr Wilkinson.

Mr Jackson, I'm going to agree, because I did give you the floor, with due respect, and you made your comments. I ruled that was not in order. Ms Wynne had asked to speak at the same time you did. I'm trying to be as fair as I can. Would you please allow me to recognize her. You will have an opportunity, of course, like anybody else.

Mr Jackson: Mr Chairman—

The Chair: On my ruling?

Mr Jackson: Yes. Mr Chairman, I expressed it as a point of order because I wish to have a motion that flows from the amended motion. If it were my motion, that would be the end of it, but I am now left to deal with the amended motion on the floor that passed, and I have business that flows directly out of the amendment. That's why I presented it as a point of order, in order to have the attention of the Chair, in order for me to move my motion.

The Chair: Unfortunately I don't believe, from what I know—and please correct me if I'm wrong—that that would be considered a point of order. That's why I said it's not acceptable and that's why I turned my—

Mr Jackson: I brought to the Chair's attention the fact that I have a motion that flows from it. We have not finished with item 1. I think the motion that is before us flows—where's the agenda? It says, "Motion—Mr Jackson." We have been dealing with Ms Wynne's motions. I still wish to present a motion, Mr Chair, on the agenda that is before me.

The Chair: We dealt with that already, Mr Jackson. The motion that I understood—

Ms Wynne: It was your motion from yesterday.

The Chair: Please. I think, as we all know, there are a number of ways we can deal with today's agenda. It's my understanding that what you're trying to do, Mr Jackson, is not in fact what you asked, and that's why I recognized Madame Wynne. Allow me to do that, please, and I'll be happy to recognize anybody else after that.

Ms Wynne, you have the floor.

SUBCOMMITTEE REPORT

Ms Wynne: I'd like to move the decisions of the subcommittee that were made on December 9 and then move amendments to that subcommittee report. I believe I need to move the subcommittee report.

The Chair: Yes, that's my understanding. Would you please do that on the record, and we'll go from there.

Ms Wynne: Your subcommittee met on Thursday, December 9, 2004, to consider the method of proceeding on Bill 118, An Act respecting the development, implementation and enforcement of standards relating to accessibility with respect to goods, services, facilities, employment, accommodation, buildings and all other things specified in the Act for persons with disabilities and recommends the following:

(1) That the committee meet for the purpose of public hearings on Bill 118 on January 31, 2005, and February 1, 2 and 3, 2005.

(2) That the committee meet in Toronto on January 31, 2005, and that the committee travel to Ottawa on February 1, to London on February 2 and to Thunder Bay on February 3, 2005. Times and locations are subject to change based on witness response and travel logistics.

(3) That an advertisement be placed for one day in all the English dailies and French weeklies. The advertisement is also to be placed on the ONT.PARL channel and the Legislative Assembly Web site and a press release is to be issued. The clerk of the committee is to identify and, in consultation with the Chair, utilize other means of advertising that may be suitable for reaching persons with disabilities.

(4) That the clerk of the committee write to all those who appeared at public hearings for the previous Ontario disabilities act and to the municipal accessibility advisory committees to advise them of the dates and locations for the current public hearings.

(5) That the deadline for those who wish to make an oral presentation on Bill 118 be 5 pm on January 12, 2005.

(6) That the deadline for written submissions on Bill 118 be 5 pm on February 1, 2005.

(7) That the Minister of Citizenship and Immigration be invited to make a half-hour presentation before the committee the morning of January 31, 2005, and that opposition critics be allotted 15 minutes each to respond to the minister's briefing.

(8) That the clerk be authorized to schedule groups and individuals in consultation with the Chair, and that, if there are more witnesses wishing to appear than time available, the clerk will provide the subcommittee members with the list of witnesses, and each caucus will then provide the clerk by January 17, 2005, at 10 am with a prioritized list of witnesses to be scheduled.

(9) That organizations and individuals be allotted 15 minutes in which to make their presentations.

(10) That the research officer provide the committee with a summary of witness presentations, prior to clause-by-clause consideration of the bill.

(11) That amendments to Bill 118 should be received by the clerk of the committee by 12 noon on Friday, February 4, 2005.

(12) That the committee meet for the purpose of clause-by-clause consideration of Bill 118 on February 7, 2005, in Toronto.

(13) That the clerk send a letter to the House leaders requesting the authority to sit during the recess on January 31 through February 3 and on Monday, February 7, 2005.

(14) That the Chair may determine whether reasonable requests by witnesses to have their travel expenses paid will be granted.

(15) That video conferencing and any reasonable interpretive means to communicate with persons with disabilities be utilized where suitable during meetings on Bill 118.

(16) That the Clerk of the committee, in consultation with the Chair, be authorized prior to the passage of the report of the subcommittee, to commence making any preliminary arrangements necessary to facilitate the committee's proceedings.

I have some amendments that would be these:

That the number of days—

Mr Jackson: A point of order: I think we have to place the whole motion and agree to accept it, or are you accepting all the amendments or individual amendments?

The Chair: There is a motion that has been introduced. I'm going to hear any amendments. Of course, as the amendments are given, then we'll make that decision, Mr Jackson. I don't know how many amendments there are.

I've been told that you are correct, that we should have discussion on the motion before we can have any amendments. I suggest that once the discussion starts, any amendment can follow. I have to give at least one opportunity for discussion before any amendments are added. That's my understanding, so I would open the floor for any comments on the motion.

Mr Wilkinson: I'm pleased to report that it's my understanding there has been an agreement reached about amending the previous agreement. I think that's very encouraging for people with disabilities across Ontario who will now be afforded, I believe, a greater opportunity to meet with this committee—and share with them the fact that the bells are ringing. Sorry, Mr Chair. I think I've been pre-empted by democracy in action here at Queen's Park.

Ms Wynne: I'd like to request a 20-minute recess, Mr Chair.

The Chair: A 20-minute recess will have precedence, and when we come back Mr Marchese will have the floor, OK?

Mr Marchese: Mr Chair, can I recommend we come back earlier than that after the vote? Can we do that?

Ms Wynne: Fifteen minutes?

The Chair: Mr Jackson, if it's OK with you, we'll go for the vote and come back—

Ms Wynne: As soon as the vote's completed?

Mr Wilkinson: But we won't start unless you're here.

Interjection: Twenty minutes, but on the understanding that we'll come back as soon as—

Mr Marchese: Right after the vote.

The Chair: OK? Are we all going up?

The committee recessed from 1750 to 1805.

The Chair: Can we start, then?

Mr Wilkinson: Ms Wynne will be right here.

The Chair: I realize that, but we'll wait a few more minutes. Mr Marchese has the floor. I guess the question is, should we move on? If there is no disagreement, I will recognize Mr Marchese and we'll go from there.

Mr Marchese: Sorry, what was before us again, Mr Chair? What matter were we discussing?

The Clerk of the Committee (Ms Anne Stokes): The motion to adopt the subcommittee report.

The Chair: The motion that was read on the record; that's the only motion in front of us.

Mr Marchese: That's right. Mr Wilkinson had spoken.

Just for the record, normally the way it works is subcommittees decide on the course of what is to happen with the bill, and we discuss all of the matters that have been read for the record by Ms Wynne. Traditionally, those recommendations made by subcommittee members rarely get changed unless the opposition parties insist on something and the government members do not, in which case they then come to this committee, or any committee, and they make changes.

What was particularly disturbing in what happened here is that all three political parties had agreed, including their member, who is not here today, so one left with the understanding that we were OK. All of a sudden, those things get changed. The argument is made by the parliamentary assistant and others now that they were called by the community and so they had to change the dates. I just found that particularly disturbing in terms of the process and how it happened, because it normally doesn't get changed by the government in general or by the minister or the House leader. So I wanted to state for the record that that's particularly disturbing.

We had chosen or agreed upon four days, plus one day of clause-by-clause, and we all felt that those five days were more than adequate to be able to deal with a bill that everybody had agreed to. The government is very proud of this bill. They didn't speak once about having or needing to make amendments in second reading debate. We spoke to it and supported it, although we had concerns that we raised, and were quite happy to go out and hear from people on that bill. I thought four cities would more than adequately get a fair hearing from people with disabilities to tell us whether they loved this bill and that it was as historic as they say or whether they wanted changes.

So I thought, on the whole, when the government has rarely taken out bills for more than a couple of days, as we've done with so many others, for them to come back and request three weeks was—that's what we discussed yesterday, because the government wanted three weeks,

12 days—unexpected and rather hurtful in terms of what they were proposing.

So we ended our discussions yesterday in subcommittee with an understanding that the whips would get together and try to iron it out. There were differences. It requires approval from all three whips in order to have something that we can agree with today. They worked on it, and amendments will be presented by Ms Wynne that will reflect a little more fairly what all three caucuses were trying to achieve.

So at the end of it, in spite of all the ruckus and the anger yesterday that was expressed by many, we now have an agreement that I am happy to say we will be supporting.

The Chair: The next speaker is Madame Wynne and then Mr Craitor, in that order.

Ms Wynne: My understanding now is that I can move the amendment to the report, and I just want to be clear that the reason this amendment is coming forward is that the government felt, in conversation with members of the disabled community, that more fulsome hearings were required. That's where the motivation for this comes from. So what I'd like to move is that a total of six days of public hearings—

Mr Jackson: On a point of order, Mr Chair: I haven't been recognized. I thought we were able to discuss the main motion before we receive amendments.

The Chair: Allow me this.

Mr Jackson: You referenced a speaking order, and I was about to attach myself to that.

The Chair: I do agree that—if you don't mind, madame.

Ms Wynne: Fine.

The Chair: Let me allow Mr Jackson to speak, and then I will go back to Ms Wynne and she can comment. So you're also on the list. I realize that, but in fairness, to my recollection, Mr Jackson has not spoken on the motion. I think it's fair that everybody has an opportunity to speak on the motion before we go back, let's say, to the Liberals, who have already spoken on this motion. So, Mr Jackson, you have the floor, please.

1810

Mr Jackson: Thank you, but I'm quite content to follow in your recognized order with Mr Craitor, who wished to put a few comments on the record.

The Chair: I think you should be the next one, because your party has not spoken on this motion yet.

Mr Jackson: Thank you, Mr Chairman, then. When I received the subcommittee report, which I appreciated receiving, I had occasion to contact the clerk of the committee, Ms Anne Stokes, and I expressed to her some concerns I had that, in my opinion, might strengthen the decisions of the subcommittee. The clerk of the committee was kind enough to document those and encouraged me to contact the Chair, which I did. We were unable to have a fulsome exchange, but I have some concerns with the manner in which the first subcommittee report came out.

One of the concerns I expressed was the issue around going to Thunder Bay. I'm all in favour of going to

Thunder Bay; in fact, I will tell the committee members that what we learned from Ken Boshcoff, the mayor of Thunder Bay, and by attending Laurentian University, was that they have a 10-year full accessibility plan. I think it might be helpful and instructional to this committee if we had some time to meet with the accessibility group at Laurentian University. The reason I say that is because they had concurred with the recommendations that they be fully compliant within 10 years. That is the regulatory framework that was to apply to government-funded programs and, specifically, to accessibility for students who were disabled.

My hopefully helpful recommendation to the committee was that we not fly to Thunder Bay on a Thursday and then have until 11 o'clock the next day to have all our amendments done, which is what this reports suggests, which is near impossible. If you're snowed in in Thunder Bay, then we can't even present amendments. That was one of five concerns I had, and I don't have to address that again, but there are huge problems with being in Thunder Bay, still receiving briefs that you're barely able to read fully and then after two business working hours the next day having to have all of the amendments filed. I'm hopeful that will be corrected in this, because I saw that as a problem.

Back to Thunder Bay. It has been the custom whenever I've travelled that we generally always try to go to Thunder Bay on a Sunday night because of the long flight, so we can start early, go late, if necessary, and then fly out. If Sault Ste Marie is chosen, then there are other pieces of advice. I thought this was rather tight and prescriptive about the dates of the cities which we were to attend, and I suspect the clerk of the committee has had some time to look at availability of space in general terms in some of these locations and/or flights. Again, I thought I was advancing a friendly amendment in that regard.

The second area of concern that I expressed had to do with the subcommittee report's paragraph 7. The committee, in the same paragraph, refers to the minister doing a presentation and then refers to it as a briefing. Those of us at Queen's Park know there is an absolute, distinct difference insofar as the committee ordering up its business. It's been the custom to have a technical briefing to the committee. This has been underscored with even more importance, partially on the basis that it was the express wishes of the ministry to only give me a technical briefing and not the members of my caucus, and, as you know, we're entitled to two members. That privilege was not extended willingly by the government.

I can confirm for the record that the dozen or so questions I raised in the technical briefing—and these were very technical questions—have just been handed to me in the last half hour. They were requested 30 days ago. I think the disability community deserves a briefing. It gives all of us who want to put in proper amendments to this legislation an opportunity to get a full technical briefing. So when the occasion comes, that's an area where I wish to submit a further amendment.

I respect the right of a minister to come in and do a presentation. That's consistent. But invariably, there's always time at the beginning, prescribed by an amount of time, where we can get a full briefing. We have technical staff who are assigned to this committee. As you know, they are instruments of assistance for you, as the Chair, to ensure that the committee is serviced with all of its research needs and its needs in order to respond to questions from the deputants who come before us. So in particular with the disability community, they would like to have some of these answers for the record prior to the start of the actual hearings.

The third point that I had expressed concern about was the sequencing of the cities. Again, having been a Chairman of a committee and having served here enough times to know, there are certain sequences of attendance in cities that work very well to mitigate costs. One of the problems that I was having with the change in the total number of cities involved and in going from one week to three weeks was that it probably added about another \$180,000 worth of expenses. Maybe that's quite all right, but we do not have a budget or even a ballpark budget. Again, Mr Chairman, unless you can inform this committee that the cap has been lifted off our budget, that will speak to a couple of issues that you need to know.

If we engage in ensuring that the disability community has specific rights to access during these hearings, these are incredibly expensive. To do justice to this bill, we're going to need to ensure that the deaf community, the deaf-blind community and other disability groups have access, are able to comprehend what is being said. I will be raising questions about Braille translation, access to Braille versions of the comments. Again, without inviting a comparison, those are the kinds of things that I was guided by when I was introducing legislation, and I think there's an expectation on the part of the disabilities community that the government will proceed in this area.

Finally, the existing Ontarians with Disabilities Act, the current one that guides this government and all of us, indicates that there is a priority responsibility on the part of the Legislative Assembly and the Speaker to ensure that these services are provided. I have yet to secure a copy of the Speaker's plan for the legislative precinct. This would be, again, helpful to the committee in our quest to ensure that the House leaders cannot subvert the legislation and say, "All right, we're going to do more cities but we're going to cut corners on interpretation," or things to that effect. Again, I raised issues with our clerk to pass on with respect to ballparking the budget, ensuring, Mr Chairman, that you do not have a cap, so that we can ensure—now, I have several amendments that I'll bring forward. I'm speaking only to the committee report.

The fifth and final issue I expressed a concern about was the notion that I find it tragic that four or five people express an interest to come forward to a meeting and then we create rules that say, "We're going to pull the plug on that city because we only had five or six people request." That was implicit in the subcommittee report. I have a

hard time with that. I've always had a hard time with that. So my advice in this matter was that if fewer than 10 persons come forward requesting, then this committee be authorized to pay the full expenses for them to come to Toronto, which, being the hub that it is, is the safest location for the disability community and the most accessible of all of the inaccessible cities in our province.

1820

I further feel strongly about this because when I was the minister, I had a fight with my bureaucrats, many of whom are still there, on the principle that you submit your expenses and then we pay them. For the life of me, I had a hard time convincing the bureaucrats that you cannot impose that simple historical requirement that is encouraged by the auditor and the House leaders and so on. The disability community doesn't have the funds to be able to be out of pocket. Many of them need months to save the money to pay for a large trip, based on the fact that they're living on fixed incomes. My solution with my bureaucrats was that I put that on my personal credit card as the minister. I was stubborn, and most members will agree that I am a very stubborn person. But I was determined to ensure that those individuals had standing and had the right to come before the committee and to give advice to the government and so on.

Again, Mr Chair, I share that with you because I don't want us as the subcommittee to find out that your budget is in any way being trimmed or capped in this regard. I sense from you that you are sensitive to that, but I'm most anxious to make sure we have those assurances.

Those were the concerns I had expressed. I look forward to working on the amendments. I have several to ensure that we can improve accessibility for those who wish to attend in those cities that the three House leaders have determined we should be attending.

The Chair: Thank you. Three members have spoken on the motion. I will recognize the rest of the members who wish to speak on the motion, if there are any. Otherwise, I will go to Madame Wynne to make the amendment that she wanted to do originally. Therefore, can I go to Madame Wynne?

Yes, Mr Craitor? You have some comments on the original motion?

Mr Craitor: Let me just say first of all that I listened intently to the comments by Mr Jackson, who obviously has been here a lot longer than I and seems to be as passionate as I feel about disability—and they are very valid. I appreciate your sharing them with us.

The one thing that stood out with the committee's report and the one concern I had with it—and I'm hoping that as the evening flows something will come out of this—is that I felt we should be getting out to more communities. So I hope that as the discussion continues on, there may be some other cities added to it. Obviously we'd like to visit them all, but we know that's not practical, and I have a better understanding that there's quite a cost to it. But I'm hoping that as we have further dialogue, we can add some more cities to it and get out to some communities which I know have a real interest and would like to participate.

The Chair: Are there any other comments?

Madam Wynne, you have the floor now.

Ms Wynne: The amendments that I'd like to bring, the agreement that was reached, is that there would be a total of six days of public hearings. That would change basically points one and two in the decisions of the subcommittee. It would be six days of public hearings during the weeks of January 31 and February 7.

The agreement was that the committee would decide on the cities. I understand that the cities that have been agreed upon are Thunder Bay, Niagara Falls, London, Ottawa—each of those one day—and two days in Toronto; and that two days of clause-by-clause hearings would take place once the House returns. It would be a total of eight days.

The other issue that was discussed, and I believe is consistent with the subcommittee report but I will just put it on the record, is that there would be Web cam broadcast, if possible, and accessibility issues are to be taken into account at every hearing. OK?

The Chair: That's the only amendment?

Ms Wynne: Then, with those amendments, there would have to be logistical decisions made about which city when. I certainly heard Mr Jackson, and I believe Mr Marchese agrees, on the decision about when to meet in Thunder Bay, that Thunder Bay on a Monday would make the most sense. I believe there are two Mondays in that period of time, so to travel to Thunder Bay on a Sunday night in order to meet on Monday is consistent with what was discussed.

The Chair: OK. Mr Jackson, you also agree with those comments, and I hear Mr Marchese—

Mr Marchese: Yes. That was the only thing I wanted to be sure of, because it made sense that we travel on Sunday in the event of weather conditions preventing us from getting there the same day. I wanted to be sure that was changed as the number two item. So that's OK.

The Chair: So you agree with that. OK. You still have the floor, if there are any other comments. Otherwise—

Ms Wynne: No. The only thing is, because of adding two days, there may be changes to the deadlines. I would defer to the clerk in terms of what those logistics would be.

The Chair: So that's part of the motion.

Mr Marchese: Just to add to a comment that Mr Jackson made, we have agreed that the two of you would determine costs—and “reasonable costs” is what we wrote down on the report—and that if there were any other additional problems, you would obviously consult the committee. Because it's quite possible that you might run out of money; I don't know. If that were the case, you would be consulting us. It's too late now to request a motion that would simply give us the authority to be able to draw on more if needed. But I'm assuming that if there are more requests that we can accommodate through our budget, we could then make a request at the appropriate time to either get it then or retroactively. I'm assuming that we have that flexibility.

The Chair: Is it understood that that flexibility would be left with me and your office, and I will communicate with the three parties if there is any problem?

Mr Marchese: In the event that it's a problem.

The Chair: I have already asked the question if in fact there was a problem with the money allocated. Unfortunately, we don't have that answer, but the perception, as I understand it, is there is no funding. But if there is a problem, I think what you're recommending is wise, unless there's disagreement.

Ms Wynne: The only comment I would make is—well, two things: The issue of access certainly needs to be dealt with in terms of teleconferencing or where it's not possible for people to travel, and I think that has been made clear in both the subcommittee report and in the amendment. The second thing I just wanted to put on the record is that we really felt strongly that we should get as many days of hearings as we could get agreement on from all three parties, and this was the agreement that we could come to.

The Chair: I recognize Mr Wilkinson, on the amendment, please?

Mr Wilkinson: Yes. I would ask that we call the motion.

The Chair: There is a motion on the floor to ask for a vote on the amendment. Do we have agreement for that?

Mr Marchese: I'm sorry. We were chatting. What's the motion?

The Chair: The motion is that we vote on the amendment at this time. Of course, the floor is open for debate on that motion.

1830

Mr Jackson: Perhaps I'm old school, but I thought we were supposed to have these amendments written. I see representatives of the House leader; have they got those written and prepared? We should get all the amendments out on the table and then we can go through items one through 16. I mean, number 12 should be eliminated, number 14 needs amending. Otherwise—

Mr Marchese: Let's make all the appropriate amendments.

Mr Jackson: We will be finished with a document—and I wish to be helpful to the clerk, that we go through a process that doesn't allow us to have a contradictory document because we haven't amended—the whole document has to be amended, unfortunately. However, I'm madly writing the amendments here so that I can submit them, to be helpful, and I would hope that the government would do likewise.

The Chair: Certainly, if the wish is to have five minutes or whatever to write things down, we can do that. Otherwise, we can poll each amendment by itself. I think we can handle that. Is that agreeable?

Mr Jackson: That is perfectly acceptable that you read into the record motion one, and then we concur that that's how we're amending point number one. That way, it's signed off, and we go through the document and it's done. We will have to verbalize our changes, but I think if we do that succinctly, it will be helpful to the clerk.

The Chair: How about, if there is agreement on a number—

Ms Wynne: I'm writing it down.

The Chair: You're writing down your amendments.

I will recognize you, Mr Marchese. Why don't you go ahead?

Mr Marchese: Cam, I don't think we should complicate this. We have the amendments and we should vote on the amendments, rather than going one by one, and then we'll go over the whole thing. We have one and two, and we understood what Kathleen said; we could vote on that. Then you've got amendments. Let's deal with them, and then vote on the whole thing. We don't really need to delay this much further. Can we do that, Cam?

The Chair: Can we agree on what Mr Marchese has recommended? Again, I am at your mercy, as they say.

Mr Marchese: Because whatever amendments are made, they're made on the record, so we know what the amendments are.

Ms Wynne: It's there in Hansard.

The Chair: Mr Jackson, can we do that, please?

Mr Jackson: What is it we're going to do?

Mr Marchese: We know what the amendments are; let's vote on them. If you have some amendments, let's deal with them. Put them on the table and then we'll vote on the whole thing, rather than having to vote for each one.

Mr Jackson: Generally, as a Chair, I'd check with the clerk to see if she's going to be able to finish a document that satisfies the requirements of the committee. It's rare to find a clerk that can work with that. However, if you can, I'm willing to try it. However, I sense that the clerk was having some difficulty with a process that isn't in print format, that she's expected to—

Ms Wynne: I'm writing out my amendments.

Mr Jackson: Very good. Then I'm concurring with Ms Wynne's efforts to write things out.

The Clerk of the Committee: If I could, there's a suggestion—we could go through and have an amendment to each section.

Mr Jackson: That's what I said.

The Clerk of the Committee: Perhaps we could get together and redo the whole report and then meet as a committee and do it as one. It's just that there are a number of things to each section, so if you want to write out each one and vote on each one—

The Chair: I thought we had a solution. All three parties, I thought, had agreed that we'd deal with the amendments, as long as they are in writing.

The Clerk of the Committee: We still have a motion that looks like this and we have to make changes to it and we need to amend it.

The Chair: Yes, and that will be addressed after the amendments are dealt with.

The Clerk of the Committee: Those are the amendments that will be amending—

The Chair: I'm sorry?

The Clerk of the Committee: The amendments that will be moved will be amending this document.

The Chair: Yes, that's why they are amendments. They're amendments to the motion. So we deal with the amendments, and if Mr Jackson has any other amendments, we'll deal with them. When that happens, I would suggest—if you agree with me—that if you or anybody else feels that those amendments are contradictory to any of the 16 recommendations, then we adjust it and then it will take a motion, as amended. Is that what you are saying? Can I hear from Mr Marchese and Mr Jackson? Do you agree with that?

Mr Jackson: I believe we must amend each section, since you accepted this document for amendment. You did not dismiss this document and create a new one, which would have been even easier. I think that's the trouble that the clerk's having.

The Chair: I hear you, but that's not my understanding of how you deal with it. When there is a motion on the floor, there is a motion on the floor. When there's an amendment, you address the amendment—

Mr Jackson: I agree. I'm agreeing—

The Chair: —and then you deal with the motion that's amended.

Mr Jackson: Mr Chairman, I'm trying to be helpful. You would then say, in section 1, "Are there any amendments to section 1?" That's standard operating procedure for a Chair and for a clerk and for research. If you don't wish to follow that—I was trying to be helpful. But at the end of the day, we have to have a document, and if I don't see it in front of me and I've got sections that I have addressed to you—

Mr Marchese: OK, Mario, you can go through that way: "Are there any amendments to section 1?" You can do that. That's fine.

The Chair: I'm prepared to do it either way you people want. I heard two parties saying that. Would you then allow me to proceed in that direction?

Now, that's interesting: There are already amendments on the floor. Should we address the amendments and then go through 1 to 16? Is that what we are saying? Usually, the amendments take precedence.

Mr Marchese: But the amendments actually refer to 1 and 2, so we would be starting from there anyway.

Ms Wynne: I'm going to read what I'm proposing as the amendments for points 1 and 2.

The Chair: One at a time.

Ms Wynne: OK. For point 1: "That the committee meet for the purpose of public hearings on Bill 118 for six days during the weeks of January 31 and February 7, 2005. That clause-by-clause take place for two days when the House returns in February."

The Chair: So that is number 1, as amended, I would suggest.

The Clerk of the Committee: I need a copy of that.

The Chair: Do you have it written down?

Ms Wynne: Yes, I've got it written down, Anne.

The Chair: Let's get it in writing, and then we'll move it.

Ms Wynne: We're going to have to make copies for everybody.

The Chair: We'll take a couple of minutes.

The committee recessed from 1838 to 1855.

The Chair: We are back on the record. We are still on number 14. Mr Jackson, you have some comments on number 14?

Mr Jackson: Chair, first of all, the clerk has been helpful in explaining to us how there is a global budget for committees. However, the committee costs involved here are rather extensive and may be a bit of a surprise, depending on the nature of some of the deputants who wish to present themselves to us while on the road. My concern with section 14 is that it talks about their travel expenses and not accommodating them in the process of presenting their brief, OK? So I have some questions around Braille access, TTY access, an interpretative assistant for the deaf-blind community and for the deaf community. In my view, this is too narrow, since it discusses only their travel expenses.

The next one, 15, talks of "reasonable" interpretive services. There was a member in this Legislature, Mr Malkowski, whose concept of reasonable, when dealing with government issues, included having two interpreters so that one could interpret what was being said and another could interpret any interjections. That was something that had never occurred to me as an MPP, but it made absolute sense. That, in a sense, doubled the cost.

I'm not putting a value that that's good or bad. I'm simply saying that just relieving what's reasonable—I want to make sure that (a) the budget isn't capped and (b) that expenses include, for example, bringing their interpreters. You've got the person who wishes to make the presentation and their interpreter, so now we have those expenses. And that isn't the travel expense; that's paying them to be there etc.

The Chair: So you are recommending that adjustment. Could I hear comments on that?

Ms Wynne: I believe that the third part of what I suggested, which actually was discussed by the House leaders—and I'm not able to find it. Here it is: "...that accessibility issues be taken into account, that Web cam broadcasts be available if possible and accessibility issues be taken into account." I think that could amend either 14 or 15 and would allow for adjustment according to accessibility issues.

The Chair: Mr Jackson, do you agree?

Mr Jackson: I'd like to hear it again or I'd like to see it in print. Are we getting rid of "reasonable" requests? I get nervous when someone says, "I don't think that's reasonable."

Clerk of the Committee: Mr Jackson, "reasonable" is really just to put a limit on somebody asking—

Ms Wynne: For the moon.

The Clerk of the Committee: It's to say "reasonable." "Reasonable," in my understanding, would be—the Canadian Hearing Society, for example, recommends that if there's a meeting of more than two hours, you have at least two interpreters, and if it's going to be

longer, then you'd have three interpreters. The last time public hearings were held on a bill like this, expenses were paid for personal attendants for assistance for people arriving. In my interpretation, that's reasonable.

That was my intention of saying "reasonable," but certainly if you want to add or change anything, that's fine.

Mr Marchese: That language is something we've all agreed to in the past. "Reasonable" imposes some limits, without having to open it up to anything. That's a reasonable request.

The other point that Kathleen was making was about the issues of—I missed the first few words—accessibility being taken into account. What you want is general language like that which speaks to generalities of needs that Mr Jackson was speaking to. I think we're all sensitive to the fact that if that language is there—we're quite keenly aware of what Mr Jackson is saying. You as Chair and the clerk have a good understanding of what we're talking about. That's sufficient for me.

The Chair: I do.

Ms Wynne: Mr Jackson, what I'm suggesting is that number 15 be amended in the way that I suggested. You will get that language because I've written it down and it'll be photocopied. OK?

Mr Jackson: Mr Chair, my concern raised in 14 is requests by witnesses. Item 15 talks about guiding the Chair on what services will be provided. Item 14 talks about which ones we're going to compensate. I'm not satisfied—as I said earlier, what I put on my ministerial credit card was the hotel rooms for people who have to fly according to availability, so they—

Mr Marchese: So suggest language, Cam, that we can deal with so we know what we're talking about.

The Chair: On number 14, what would you recommend?

Mr Jackson: Their travel, accommodation and interpretative assistants' expenses will be granted. That covers—

The Chair: Do we have that in writing?

Mr Jackson: It's three words.

The Chair: Make sure that the clerk writes it down and then we will see if there are any comments.

Mr Marchese: I wonder whether you want to say "accommodation where needed"?

Mr Jackson: And "interpretative assistants' expenses will be granted."

Mr Marchese: "Interpretative assistants" is part of your language, Kathleen, but I can go along with that if we wanted to add that.

Mr Jackson: These are requests by witnesses. I want to make that abundantly clear. This is particularly difficult for the deaf-blind community. There are very few people who can communicate in this regard.

1900

Mr Marchese: OK. And can—

The Chair: One second. We have the language written down. She will read it to you, and then we'll see if there is any other—

Mr Marchese: I agree; I heard him. I was just wondering whether we can say—I don't mind "interpretative assistance and accommodation where needed." I wonder whether that would be helpful, because that gives you room in terms of "reasonable," right?

The Chair: Mr Jackson, is that OK with you?

Mr Jackson: It says, "reasonable requests by witnesses." I'm not trying to change this at all. I'm just saying—let me keep it simple—

The Chair: But if the word "reasonable" is there, wouldn't that do the job, Mr Marchese?

Mr Marchese: It doesn't matter, I guess.

The Chair: Ms Wynne, do you agree?

Ms Wynne: So "reasonable" will apply to travel, accommodation and the other things you've listed, right?

Mr Jackson: Yes.

Ms Wynne: It actually puts the same parameters in place.

Mr Marchese: That's fine.

The Chair: Good. So the three groups agree on that language.

Before we move to number 15, I would like the clerk to read what we have agreed to on number 14, to make sure there is no misunderstanding.

Clerk of the Committee: "That the Chair may determine whether reasonable requests by witnesses to have their travel, accommodation and interpretative assistance expenses paid will be granted."

Mr Marchese: And accommodation.

Ms Wynne: She said accommodation.

Clerk of the Committee: "... travel, accommodation and interpretative assistance expenses paid will be granted."

Mr Craitor: Just one question. This is quite significant, and I appreciate your bringing this up, Cam, especially for my own region of Niagara Falls. People come from all over, whether it's Welland or Thorold. We just take for granted that we can move around; these people, many of whom I know and who are my personal friends, can't.

I just want to make sure we're not restricting it to just those three, because in the disabled community there are other expenses they sometimes have to incur to move around to attend meetings. Is there some way we can just put a little phrase in there? As I listen to it, we're restricting it to just those three. Isn't there—just in case there's something else those witnesses incur as an expense?

Ms Wynne: The next point, which would read, "That video conferencing and any reasonable interpretative means to communicate with persons," is just about communication; this isn't about travel and it's not about getting to. It has accessibility issues that are general, but it does not apply to travel or accommodation.

Mr Craitor: I guess I just need assurance, Mr Chair, that if there are other things the individual incurs to be able to participate as a witness, you're flexible enough to consider those.

The Chair: You asked me the question. My understanding is that there is flexibility in the motion that that will be done. If anybody disagrees, say so, otherwise we agree on it.

Mr Jackson: The only issue—

The Chair: Mr Jackson, can I recognize Mr Wilkinson? He hasn't spoken on the matter, and could we stick to what Mr Craitor said and then move on, please?

Mr Wilkinson: Assuming we're going to agree to do as much as possible to accommodate people, why don't we just strike the word "travel" and talk about expenses. If you're trying to list something, you're going to miss something. We're all reasonable people. "Expenses" covers that, and we won't get caught into listing or not. It's general and the Chair has discretion, and we have to make sure that Ms Wynne's further amendment about—

Mr Marchese: I would be happy with that too.

The Chair: Kathleen, are you OK with this? Cam, how about you?

Mr Jackson: Yes. The only cautionary note here is that that can then include meals. That has already been tested, and I was severely attacked for paying for the meals of disabled members who came forward to present to me, and the disabled community with whom I consulted. I paid a very heavy price—

Mr Marchese: That's why you want to be specific about accommodation and interpretive services, is that it?

Mr Jackson: I am being guided by a standard of care and attention that I was comfortable with as minister. When I did it, I included meals for these people, because they didn't have money.

My other way of asking this is, what other items could Kim imagine he'd like covered? I'm simply saying that the one thing I've missed is meals. There is so much language on the floor of the Legislature about how wrong that is, that I'm not going down that route again. I've suffered enough public humiliation for buying meals for the disability community. Unless you've got something else, I'm satisfied that we can cover the accommodation, which is some \$100 a night in Toronto. No disabled person should be asked to pay for that. Specialized transportation is extremely expensive. Travel is covered under specialized ground transportation.

Mr Marchese: If you can't think of anything else, can we move on?

Mr Jackson: I just don't want someone submitting—maybe you want to pay for their meals, that's fine.

Mr Craitor: Obviously you have some experience in paying for meals. You're telling me it's not something that's done up here?

Mr Jackson: It was severely criticized by the minister—let me put it to you that way.

The Chair: Let me ask you this question—and I know what you're talking about—are you suggesting that we should pay for reasonable meals?

Mr Jackson: No, I'm clarifying why—

The Chair: How about you, Rosario? What do you think? Do you think it's reasonable?

Mr Marchese: I would leave it as originally proposed, which was including travel, accommodation and interpretive assistance. I think that's fine.

The Chair: Would that include meals, in your opinion?

Mr Marchese: No, and I'm not sure we've ever done that. I don't believe we've ever done that, and if we did, we would set a precedent.

Mr Jackson: I've already set a precedent. We did it.

The Chair: And I have some doubt that motion will ever carry. "Reasonable" does not include meals.

Mr Marchese: It never has, in committee. I know what Cam did on his own, but let's leave it like that.

The Chair: As long as we agree. We all agree that meals will not be included, so make sure you remind me if I make a mistake and it happens.

Can we move on to number 15? We are OK with 14?

Ms Wynne: I think I've read number 15. Do you need it read again? "That videoconferencing and any reasonable interpretive means to communicate with persons with disabilities be utilized where suitable during meetings on Bill 118, and that Web cam broadcast be available if possible and accessibility issues be taken into account."

The Chair: That's number 15, as amended. Do I hear any disagreements from Rosario or Cam?

Mr Jackson: By inserting "accessibility issues"—what's an accessibility issue? Is it interpretive?

Ms Wynne: It's an accessibility issue to do with communication, because this point deals with communication. So if there's something we have missed, then it's covered by that.

The Chair: You're OK with that, Cam?

Mr Jackson: We don't have anything in here that talks about due regard for the accessibility of the locations we pick.

Mr Marchese: That's true. We discussed that—

The Clerk of the Committee: It's the policy that all meeting rooms or areas are fully accessible.

Mr Marchese: We would assume.

The Chair: Otherwise, we'd be in trouble.

Mr Marchese: We leave that to the Chair and the clerk.

The Chair: Are you satisfied, Cam? OK.

Number 16 is the last one.

The Clerk of the Committee: If this subcommittee report is passed now, I don't really need that. That could be deleted.

The Chair: Do we agree that we don't need 16?

Mr Marchese: Yes.

Mr Jackson: You may want to suggest that the subcommittee be empowered if, for any reason, any amendments have to be made. If the clerk comes up to—

The Clerk of the Committee: Usually, if there's something that comes up—

Mr Jackson: We leave that at the discretion of the Chair to call the subcommittee.

The Clerk of the Committee:—the subcommittee would meet and then the report would be presented in committee again.

Mr Jackson: Usually, if I run into a problem as a Chair with something, I generally immediately call the subcommittee and say, "Look, help me make a decision here." If that's implicit as precedent, then I'm comfortable with that. This probably will have a couple of those little bumps in the road that need to be fixed.

The Chair: So we've dealt with the original motion and we amended everything we wanted to amend. Therefore, I think I have to take a vote on the amendments and then the motion, as amended.

The Clerk of the Committee: I would just like to make sure that everybody sees the first couple. I would like to have that, so they can—

The Chair: So you're going to put it together?

The Clerk of the Committee: It will just take two minutes.

The Chair: Two minutes, and then we'll read it.

Mr Jackson: I don't have 1, 2, 3 and 4 checked off yet.

The Chair: OK, let's address that before you go.

Mr Jackson: I want to come back to 3.

The Chair: Can we have a two-minute break?

The committee recessed from 1908 to 1914.

The Chair: Thank you. Whenever all of you are ready, please indicate so we can vote on the amendments first of all, and then—if it carries, that is—we will vote on the motion, as amended. We can take all the time we need to feel comfortable with the amendments, the better to discuss them.

Mr Wilkinson: One of the things we've agreed to is to strike certain—

The Chair: Those are considered amendments.

Interjections.

Mr Jackson: So we can do that right now, Mr Chairman.

The Chair: Well, let me get the clerk at her desk, and then we can certainly deal—

Mr Jackson: Yes, but this is the clerk's friendly amendment: "those who appeared at public hearings for the previous Ontario disabilities act"—

Mr Marchese: And to write to all the organizations and to the municipal accessibility advisory committees.

The Chair: You're talking about number 4, then. Can you read again what we are deleting on number 4?

The Clerk of the Committee: On number 4? No, it's just to add the word "organizations" after "those": "That the clerk of the committee write to all those organizations who appeared at public hearings for the previous Ontario disabilities act and to the municipal accessibility advisory committees to advise them of the dates and locations for the current public hearings."

The Chair: So that is number 4, as amended. Any questions? If there are none, then I'm ready to take all the amendments to the original motion. Any comments? Those in favour of the amendments? Should we have a recorded vote? No? OK. Against? The motion is carried.

Now I'm going to take a vote on the motion, as amended. Any comments?

Mr Jackson: Chair, I'm sorry. I forgot one amendment. I apologize. It will take me 10 seconds.

The Chair: We can still do another amendment, of course.

Mr Jackson: I apologize. I was sure I had—

The Chair: No problem.

Mr Jackson: The motion is "That should less than 10 persons request standing at any location selected by the committee, their full expenses be paid to enable them to travel to Toronto and present before the committee."

I will speak to this very briefly. Part of the discussion was the number of people, that if we don't get any more than five, six or seven people, we would pull the plug. I don't think that's appropriate or fair. We'd cancel that city and we'd cancel the meeting. In my view, this resolves the intent, which was that if we don't get sufficient numbers, if it's going to cost five times as much money for the entourage to go to one city and it would be cheaper for us to move them here or to a recommended city—that's all I'm suggesting.

Mr Marchese: Can we do something that might be reasonable and/or enabling? If we're going to some city and there aren't enough, the clerk could simply say that there are other hearings in other places that might be near them. Is it possible for us to agree that we could tell them through the clerk that they could travel elsewhere, or teleconference, if that's the other issue?

The Chair: That's a question that Mr Marchese is asking, and that's fine. Let's hear other voices. My perception was that if the number would be less than 10, you felt that potentially it was not wise to have a hearing in that specific city. So let's pay the bill for them to come wherever we are, which may answer your question. It may not have to be Toronto. It could be a city where we have to go, and we will encourage them to join us in that city. That's, I believe, what Mr Marchese is suggesting.

Mr Marchese: Right. Including and/or saying to them that we can arrange for teleconferencing as another possibility, if that were suitable to the individual deputant.

The Chair: So would you leave this flexibility to me as the Chair, either teleconferencing, or in another city, or Toronto?

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Mr Marchese: That's right. Wherever it might be reasonably convenient for them.

The Clerk of the Committee: Are you going to put a number on it, or is it going to be something—

The Chair: Well, he said 10.

Mr Jackson: The reason I came up with a number is that previously the subcommittee discussed a number of five or six. No one could explain to me how they arrived at that number. But in accordance with the subcommittee's report, that is an hour and 15 minutes of hearings. Maybe that's the reason it was addressed and considered: Are we going to spend \$25,000 or \$35,000 to go for an hour-and-a-half meeting in Thunder Bay? That's the first thing I was asking a question about. Ten

people is two and a half hours of public hearings. Now, does that constitute sufficient—we're saying here, "You've got 15 minutes, period, end of sentence, full stop."

Mr Marchese: I think 10 people would constitute a meeting. I think we should go if there are 10 people. If there are three, four, five or six, then I think it's—

The Chair: I hear from both of you that you agree on 10. Anything less and we have to find alternatives.

Mr Jackson: I'll read my motion one more time: "That should less than 10 persons request standing"—so it's nine or fewer and two hours and 15 minutes is all we've got. I'm just trying to come up with a better solution than to say, "Sorry. The subcommittee report recommendation was that if you had five or six people, they'd pull the city off the list." I did not think that was appropriate.

The Chair: The question, I think it should be clear, is the number. You have said 10. Mr Marchese's agreed on 10.

Mr Jackson: I said less than 10. But you're right; my number is 10.

The Chair: Do I hear disagreement on that?

Mr Wilkinson: Just for clarification, I believe we have agreement on 15, which is the whole idea of being able to video conference. Obviously, we're not going to be having—I think video conference is what we were going to use if it wasn't going to make a lot of sense. But the idea that we won't do video conferencing but we're going to fly a lot of people down, when we could video conference instead—

Mr Marchese: That's why we're saying we don't need a motion necessarily. If we have an understanding that there are seven or eight people, and that might be too few to go to a city, we're leaving you, the Chair, through the clerk, the ability to say to them, "There are some options. We could teleconference, if that's suitable, or if you really want to travel to another location, we can arrange for that."

The Chair: Mr Marchese, even saying that, the number is the only question. I hear 10. If we agree that for anything less than 10 we will find another alternative, I think we have a deal here. Mr Jackson suggested that. You agree with that, I believe. Does anybody disagree with that on this side?

Ms Wynne: I just have a question. I'm sorry. My experience of other committees is that organizations have gotten more time. We're saying that everybody's getting 15 minutes. Nobody's getting half an hour.

Mr Marchese: That's right.

Ms Wynne: Then leaving it the way we've got it, I think, is fine, leaving the discretion up to you.

The Chair: Yes, but do you agree with the number 10?

Mr Marchese: If there are fewer than 10.

Ms Wynne: If there are fewer than 10.

The Chair: We agree on the number, and that's the only issue I hear. We said for less than 10, we will find

an alternative, and you leave it to the Chair to make that decision. Is that the understanding?

Mr Marchese: Yes, it's good.

The Chair: Does anybody disagree? You do?

Mr Wilkinson: What I thought I heard Mr Jackson saying is that if there's less than 10, then we will offer to move these people to another location, without taking into consideration that video conferencing might be such an alternative.

Mr Marchese: I had suggested that as well, though.

Mr Wilkinson: That's the only point I want to put on the record, that it isn't absolutely—

The Chair: That's not what you're saying, though.

Mr Jackson: That's actually the wording in my motion.

Mr Wilkinson: That is the wording in his motion. That's my point.

Mr Jackson: I think people would like to present to—

Mr Marchese: But that's the option we could put to them, Cam: "You could either teleconference or you could go."

Mr Jackson: Yes, except you're going to do teleconferencing for two people because the other seven decided to come to Toronto.

Mr Marchese: But that's a choice we leave to the deputation.

The Chair: That's why you are leaving the flexibility to me. I'm an accountable professional, and I think I'd like to—

Mr Jackson: We're good. I just didn't want the number six left there.

The Chair: So basically there is the flexibility. Mr Jackson has agreed to leave the flexibility to the Chair to choose either—

Mr Marchese: It's good; we agree.

The Clerk of the Committee: So there's no change to the subcommittee report, because it's understood that that was—

The Chair: It's 10 or less, with the flexibility to the Chair.

Mr Peter Fonseca (Mississauga East): Just a point around number 9, the allotted 15 minutes: Is that etched in stone?

The Chair: Yes.

Mr Fonseca: It is? Fifteen minutes seems to be little time—

Mr Wilkinson: You have a full day.

Mr Fonseca: —especially when we do have a full day and, dependent on how many people come forward, how many different groups—

Mr Marchese: We could be flexible. If we had time, we could—

Mr Fonseca: We should be flexible because there may be many individuals who want to share their personal stories. So a minimum of 15 minutes?

Mr Marchese: If we have a full day of hearings, doing more than 15 is really problematic. If we have 20 deputants and we have a little more room, the Chair usually has flexibility. We all exercise that as a Chair.

When I was chairing, I would give two or three minutes to someone and less to somebody else, depending. So we can accommodate a few extra moments where necessary. But I really don't think we should say we'll leave that flexible, because then you get yourself, as a Chair, into trouble and then you cause trouble for committee members in terms of what the rules are on that.

Mr Jackson: And you also have the problem of saying, "You gave this disability group half an hour because they were smart enough to show up in London, where we didn't have as many people."

Mr Marchese: So let's leave it. I would recommend leaving it.

Mr Jackson: Either we have the guideline for the Chair or you put the Chair in a very, very difficult position.

The Chair: I certainly don't want to have difficulties—

Mr Marchese: No, you don't.

The Chair: Mr Fonseca, you still have the floor. I'm sorry.

Mr Fonseca: Maybe we could leave it as no less than 15 minutes and, dependent upon how many come forward to speak, then that time could be extended.

Mr Marchese: Peter, I recommend we leave it. Based on the numbers, if we need to revisit this, we should, but I think we should leave it like this. I think the Chair can consult us if there's a problem.

The Chair: I tend to agree with Rosario on this one. Not only is it fair when it's clear, but if the flexibility is there before we start—let's agree on 20 minutes or whatever, because there are so many people. We can do that before the meeting starts. So can we please leave—

Mr Craitor: I just want to comment on Peter, because I have this—as long as we're flexible. It's OK, we can say 15 minutes. For those of us who have been to these types of hearings, in my own community, people with disabilities require different amounts of time to speak and to get their points out. It's OK for us around here because we can probably do it in 15 minutes. I just want to be sure. I don't want someone coming in there and it's 15 minutes and, because of whatever their disability is, 15 minutes is not enough time for them to get reasonable points out.

The Chair: My experience in the past—not here, of course—has been that if a member of the committee feels strongly that there is a need for an extension, normally a motion would be put on the floor and voted on. I don't want to recommend that because I don't know what has happened at this level. We may have to hear from the seasoned ones on this issue. Do you see a problem with that possibility, those of you who are familiar—I believe you're the only one—that a motion would be put? Or should we agree before the actual meeting starts? What would be your comments, Cam?

Mr Jackson: First of all, I recall my public hearings in Niagara Falls; I remember it like it was yesterday. There were three individuals who had to leave at specific times, and they let me know that in advance, because

their specialized transit was there at that time. Upfront, they said, "Cam, we have to leave at 2 o'clock." I said, "I'm going to be here until 4:30." So it was important for the clerk, in this instance, to make sure that that individual could present between 9 in the morning and 2 o'clock. As the minister on the road doing my public consultations, I said, "Well, we're going to hear from Mrs Smith now and give her her time." Because I would have 20 or 25 people in a room—and when I was doing the workers' compensation, the unions always wanted to go first. I said, "No. Injured workers are here. I've got guys here with broken backs. They can only sit here for an hour." That's the sensitivity that's required.

I'll finish with this: It's absolutely imperative that we stay on the schedule, because if you throw that off and say, "Can we have unanimous consent that we give so-and-so and hour?" that's within our purview, but what you do is you ripple all the way down. Now someone says, "I've got to go now. My ride is leaving. I have no choice." We can decide to stay here till midnight and we're fine. We're ambulatory. We can get in our cars and go home, but the disability community can't.

I support your flexibility. The clerk has a bigger challenge to coordinate the needs of the disabled so that they have their day. And I'm quite confident that you, Mr Chair, do have the sensitivity to the issues around maintaining the time schedule so that we don't become unpredictable for the presenters. They're the only two—so I leave flexibility in your hands. I think you've had enough discussion to get a sense of what we need to do, and I'm available on the subcommittee to help.

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The Chair: We will contact you. What I have in front of me now is the motion as amended. I've got to take a vote on it. May I please do that?

Ms Wynne: Except I haven't had the—

The Chair: You want to speak? Of course.

Ms Wynne: Sorry. This has raised another issue, and that is in the subcommittee decision, there's nothing that talks about the division of the time remaining when a person speaks. I've seen it done different ways in committees, and I need some direction, actually, as to how that decision is made.

Sometimes what happens is the remaining time is divided evenly among the parties, and sometimes one party is allowed to use the whole six minutes. I guess my preference would be that, where possible, even if it's three minutes, each party be given one minute, because then the presenter has the opportunity to be questioned by all parties.

The Chair: My understanding was that if there is three minutes, it would be one minute for each side.

Ms Wynne: Or six minutes, it's two.

The Chair: If there are six minutes, two minutes for each side. Do we agree with that? Do you have comments, or do you agree?

Interjection.

The Chair: OK. If you agree, there is no point.

Mr Wilkinson: Yes, I've sat in the chair. You do sometimes get to a position where you have less than

three minutes, and it's just not even practical. The clerk usually helps you out and kind of lets you know, to be fair. There's a rotation, and it's not always the same rotation; you rotate the rotation. If you end up being the only guy to speak for two minutes, then you keep track of that. The clerk is very good at that.

The Chair: I thank you. I think I'm ready for the final vote, if nobody disagrees.

On the motion, as amended: All in favour?

A recorded vote, please.

Mr Jackson: I'd rather it be—

The Chair: It doesn't have to be—because Rosario's gone. OK, fine.

Mr Jackson: Please, do we have your permission to delete that from the record?

The Chair: No need.

All in favour of the motion, as amended? In favour of the motion? Everybody in favour? The motion carries.

At this point, I believe—

Mr Jackson: It was unanimous.

The Chair: Yes, there was unanimous support for the final motion.

Is there any other business before we end the evening? OK. I wish all of you the best of holidays. The meeting is ending. Thank you.

The committee adjourned at 1935.

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